

FRONT COVER

**AMERICA IN  
ISLAMISTAN**  
TRADE, OIL AND BLOOD

*Dr. Abdulhay Y. Zalloum*

## BACK COVER

Samuel P. Huntington wrote:“The West won the world not by the superiority of its ideas or values or religion but rather by its superiority in applying organized violence. Westerners often forget this fact, non-Westerners never do.”

Since its independence the United States proved to be second to none in demonstrating its superiority in organized violence as it waged over two hundred wars in its short history since independence. Wars against the North African Muslim States endured over two decades right after independence. At the advent of the twenty first century the United States waged two wars against Afghanistan and Iraq and a global war of terror that was conveniently named War on Terror. The theater of operations of this global war was the Muslim World which we coin as Islamistan.

These wars were for gold yet often God was invoked to mislead the innocent non-suspecting population. Crusading for corporations was claimed to be crusading for God. This book explains the relationship between the United States and the Muslim World since independence, and how the US interest evolved from trade to oil and hegemony for which Muslims and Americans shed much blood.

### About the Author

The author completed his primary and secondary education in Jerusalem and his higher education in engineering, business administration and advanced management at American University including Harvard. He is an internationally known petroleum consultant, and an author of several books published in several languages. The latest book 'Oil Crusades' was published in the U.S. by University of Michigan press and the U.K. by Pluto press.



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The West won the world not by the superiority of its ideas or values or religion but rather by its superiority in applying organized violence. Westerners often forget this fact, non-Westerners never do.

*Samuel P. Huntington*

## *PREFACE*

### *It's All One Big Conspiracy*

‘Some Conspiracies You Bust, And Some You Don’t’

"Since I entered politics, I have chiefly had men's views confided to me privately. Some of the biggest men in the United States, in the field of commerce and manufacture, are afraid of somebody, are afraid of something. They know that there is a power somewhere so organized, so subtle, so watchful, so interlocked, so complete, so pervasive, that they better not speak above their breath when they speak in condemnation of it."<sup>1</sup>

-President Woodrow Wilson, *The New Freedom* (1913)

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"If the people only understood the rank injustice of our Money and Banking system, there would be a *revolution before morning*."<sup>2</sup>

- *President Andrew Jackson*

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<sup>1</sup> [Woodrow Wilson](#), *The New Freedom*, (Charleston: BiblioBazaar, LLC, 2008), 18

<sup>2</sup> Arthur M. Schlesinger Jr., *The Age of Jackson*, New York, Mentor Books, 1945, 6-7

When the well-known Al-Jazeera TV Network decided to make two one hour documentary episodes based on my book, *Oil Crusades, America through Arab Eyes*, I worked out with the producer a list of personalities to be interviewed. The list was based on figures quoted in my book. Amongst those was James Akins, a former American Ambassador to Saudi Arabia in the early 1970s during the first oil shock. In my book, I quoted a Harvard Graduate School of Business case study which stated that the occupation of Arab oil fields was a policy alternative in the early 1970s, and I quoted a story told by Akins about the same subject. Some conveniently dismissed what both the Harvard study and Akins said as just ‘another conspiracy theory’.

Al-Jazeera interviewed Akins for the documentary. The following is the exact transcript of what Akins said:

AKINS: When Kissinger came out with his plan to occupy Middle East oil fields, I was asked about what was published in an article by Harper magazine, written by an anonymous writer, who called himself ‘the unknown soldier’. No one knew his identity until sometime later. The writer of the article suggested for the United States to occupy all the Arab oilfields from Kuwait down to Dubai and to bring employees from Texas and Oklahoma to operate these fields and to

evacuate all the citizens of these countries to Najd (Saudi Arabian desert) so that the whole area is free from its Arab citizens. We will produce the oil for the next 50 or 70 years until the oil fields run dry. I discussed the plan with Aramco (the American Saudi Oil Company) and they were terrified. To have such a dream was naïve. The American media asked me about this plan. I was then America's ambassador to Saudi Arabia. I told American media who thinks of solving America's energy crisis this way is either crazy, or criminal or an agent of the Soviet Union. Those words obviously did not please whoever wrote the Harper article. I thought he may be a crazy somebody from the CIA or the Pentagon. I did not know who he was. Finally I knew. He was (my boss) Kissinger. I was then fired.<sup>3</sup>

The priests of the capitalist order and their corporate media used preemption even before this word became famous through the Bush Doctrine's preemptive wars. It seems they wanted to preempt any free thought, and steer people away from investigating their real conspiracies. Therefore, the 'conspiracy theory' is by itself a conspiracy.

When Mafia boss Paul Castellano was arrested by the FBI, he said: "If I was the government I'd put my ass in jail for a thousand

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<sup>3</sup> [Joseph F. O'Brien](#), [Andris Kurins](#), *Boss of Bosses: The Fall of the Godfather : the FBI and Paul Castellano*, , New York, Dell, 1992, 326

years ...but not because I am wrong. ... Come on, we are not children here. The law is (how should I put it?) a convenience, or a convenience for some people, and an inconvenience for other people.... Besides, the law can always change its mind.”<sup>4</sup>The armies of lobbyists and lawyers with their millions of dollars are there to see that the law ‘changes its mind’ to become a convenience to corporations and Wall Street, and an inconvenience to Main Street.

When FBI agent Andy Kurins discussed with Castellano’s “consigliere” the payments he was receiving without showing up for work, the latter clearly showed his hostility towards the system’s hypocrisy. He told the FBI agent: “... if this is a crime, Andy, you better build a lot more jails, cause you're gonna have to lock up half the fu---- country. Start with the little WASP faggots with their trust funds. Then get the stock brokers, and after that if you’ve still got room in the fu---- penitentiary then come and hassle a little puissant like me with his four-fifty a week.” Andy Kurins replied: “But Joe, you’re talking pay scales. I am talking criminal conspiracy.” “Conspiracy,” hissed the white-haired Mafioso. “Conspiracy! That’s the magic word with you guys.... But lemme ask you something - what isn’t a conspiracy? ... Politics? Cut me a break! Wall Street? We both know that’s a license to steal. No, Andy, it’s all conspiracies, and the only difference is that some

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<sup>4</sup> Ibid., 191

conspiracies you bust, and some you don't."<sup>5</sup> The conspiracy by Wall Street's Bernard Madoff, who even became Chairman of the high tech stock market NASDAQ, went on for over 40 years. Madoff embezzled \$64.5 billion and was not busted by anybody! He was arrested after he admitted to his sons he was running a Ponzi scheme. His son's informed the FBI.

I make no apologies for quoting mafia figures here, because big business of today, at least some of it, was Mafia business yesterday. Let us take for example the Kennedys as they represent one of the well-packaged images created by the image makers. Mafia boss Frank Costello made no secret that Joseph Kennedy made his fortune as a result of an alliance with organized crime during the bootlegging period. President Roosevelt did not think much of Joe Kennedy. He described Joe Kennedy as a "thief, one of the most evil, disgusting men I have ever known". Yet, this evil disgusting thief, as described by President Roosevelt, was appointed to one of the most crucial posts of the time -- as an Ambassador to the United Kingdom at a most critical time during the Second World War. One wonders why a president would exercise such duplicity and what forces made him exercise this duplicity! Truman thought of Joe Kennedy as a big crook. Eisenhower, having the benefit of the opinion of his predecessors, nevertheless, appointed Joe Kennedy as a member of one of the establishment's most

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<sup>5</sup> Ibid., 192

powerful institutions, as a member of the Board on Foreign Intelligence.

The culture of mafia is indeed the culture of capitalism. Both are based on extortion, lies and wars, one among the gangs and the other among nations. Both have no moral codes to discipline them. MIT professor Lester C. Thurow wrote in his book, *The Future of Capitalism*:

Unfortunately neither capitalism nor democracy is a unifying ideology. Both are process ideologies that assert that if one follows the recommended processes one will be better off than if one doesn't. They present no common goals towards which everybody is collectively working. Both stress the individual not the group. In the most rigorous expressions of capitalistic ethics, crime is simply another economic activity that happens to have a high price (jail) if one is caught. There is nothing that one 'ought' not to do. Duties and obligations don't exist - only market transactions exist.<sup>6</sup>

Isn't that exactly what mafia is? If in capitalist ethics 'crime is simply another economic activity that happens to have a high price

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<sup>6</sup> [Lester C. Thurow](#), *The Future of Capitalism: How Today's Economic Forces Shape Tomorrow's World*, New York, W. Morrow, 1996, 159

(jail) if one is caught', the mafia is willing indeed to pay that price if one is caught.

If organized crime kills a few people who may stand in their way, many of whom in most cases come from within the mafia organizations; other businesses can kill millions of innocent people. The tobacco industry was targeting youngsters to smoke even after it was proven in the middle nineteen sixties that cigarettes are addictive and lethal and cause cancer. Some 400,000 Americans got killed annually by a legitimate tobacco business. If wars are waged in which hundreds of thousands of people get killed to pave the way for an Exxon or a Bechtel, as lately as the wars in Iraq and Afghanistan, why bother about a few mafia incidents here and there every now and then? Probably for this reason, for almost half a century, J. Edgar Hoover, the Director of the FBI never considered Mafia as big crime. He knew that presidents got elected after they solicited the help of the Mafia, that the CIA established a close relationship with them to assassinate foreign leaders. J. Edgar Hoover did not want to waste time practicing hypocrisy. At least on that issue he thought he better call things for what they were; he saw no organized crime in the country, he saw big business and he knew it was bigger than the government.

*A Government of Corporations, by Corporation, for Corporations*

That is what American President Rutherford B. Hays concluded and declared. He should know best as he himself was made president by corporations and his administration was by corporations for corporations!

Another American president warned against a term he coined, 'the military-industrial complex'. He said:

In the councils of government, we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex. The potential for the disastrous rise of misplaced power exists and will persist. We must never let the weight of this combination endanger our liberties or democratic processes. We should take nothing for granted.- Dwight D. Eisenhower<sup>7</sup>

Eisenhower was asking the system not to be itself. It was landlords and financiers who custom-made the system to be at their service from George Washington to George Bush. Presidents and

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<sup>7</sup> Dwight Eisenhower's Farewell Address , January 17,1961, Michael Waldman, *My Fellow Americans: The Most Important Speeches of America's Presidents, from George Washington to George W. Bush*, Volume 2, Naperville, Sourcebooks, Inc., 2003, 156.

high government officials are selected by and elected through marketing and money from these invisible interests to be at their service. But like Monday-morning quarterbacks; they express their fear from this invisible power. Are they advancing another ‘conspiracy theory’ about an ‘invisible government’?

Here is what another American president said:

Behind the ostensible government sits enthroned an invisible government owing no allegiance and acknowledging no responsibility to the people. To destroy this invisible government, to befoul the unholy alliance between corrupt business and corrupt politics is the first task of the statesmanship of the day.<sup>8</sup>- President Theodore Roosevelt

...and this was what a senator in the know said:

*There exists a shadowy Government with its own Air Force, its own Navy, its own fundraising mechanism, and the ability to pursue its own ideas of national interest, free from all checks and balances, and free from the law itself.”<sup>9</sup>*

- Senator Daniel K. Inouye

...and here is what a Supreme Court Justice had to say:

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<sup>8</sup> [Theodore Roosevelt](#), *Theodore Roosevelt: An Autobiography*, New York, The Macmillan company, 1913, 625

<sup>9</sup> During Iran-Contra Hearings,  
[http://www.sourcewatch.org/index.php?title=Shadow\\_Government](http://www.sourcewatch.org/index.php?title=Shadow_Government)

The real rulers in Washington are invisible, and exercise power from behind the scenes. - Supreme Court Justice Felix Frankfurter, 1952

...and this is what a Texas Governor said:

You don't have a clue of what's going on in the government, and neither do the American people. If they did, there would be a revolution in this country.<sup>10</sup> - Texas governor and quintessential political insider John Connally

### *Western Capitalism Immorality*

Muslims have been suffering from the immorality of Western capitalism from the likes of the East India Company in 1600, to the Chevrons and Exxons of today. For the sake of such companies, Iraq was recently invaded and destroyed. In President George W. Bush's last visit to occupied Iraq, a journalist, Muntazer al Zaidi, took off both pairs of his shoes and one at a time threw them forcefully at Bush. He almost got him in the face. After serving his jail sentence, he wrote in the Guardian (September 17, 2009):

I am not a hero. But I have a point of view. I have a stance. It humiliated me to see my country humiliated; and to see my

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<sup>10</sup> <http://georgewashington2.blogspot.com/2009/03/with-one-word-bernanke-reveals-who.html>

Baghdad burned, my people killed. Thousands of tragic pictures remained in my head... I travelled through my burning land and saw with my own eyes the pain of the victims, and heard with my own ears the screams of the orphans and the bereaved. And a feeling of shame haunted me like an ugly name because I was powerless...I wanted to express my rejection of his lies, his occupation of my country, my rejection of his killing my people.<sup>11</sup>

George W. Bush was once asked, 'why do they hate us?' Is Muntazer al-Zaidi's answer, a good enough answer?

This book reviews American interventions in the Muslim world, from the days of U.S. Independence until this day. It explains the true causes for the War (of) Terror as seen through Muslim eyes, and concludes that a 'regime change' is now indeed due in the West, as capitalism is in deep systemic crisis and its game is almost over.

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<sup>11</sup> Muntazer al-Zaidi, "Why I threw the shoe", *Guardian*, September 17,2009, <http://www.guardian.co.uk/commentisfree/2009/sep/17/why-i-threw-shoe-bush>

## *INTRODUCTION*

### *CAPITALISM HAS A TUMOR IN ITS SOUL*

*Albert Einstein's advice: "The problems we face today cannot be solved by the minds that created them."*

Two events occurred in the year 1492 that transformed the world. In January of that year, the last stronghold of Islam in Western Europe was conquered by King Ferdinand and Queen Isabella. Churches across Europe pealed with joy and crowds watched as a Christian banner was raised over the last Muslim city of Granada. In that crowd was Christopher Columbus. Jewish historians then wrote that the loss of Muslim Spain was very tragic in Jewish history, as Jews as much as Muslims were given the choice between deportation and exile, or conversion to Christianity. Many Jews left to other Muslim lands where Judaism was tolerated, but a few chose to convert, even if they secretly kept Judaism in their hearts. Conversion of Jews to Christianity was a practice of some European Jews to evade persecution. Christopher Columbus "used to boast of his connection with King David, observed Jewish superstitions and sought out the company of Spanish Jews."<sup>1</sup>

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<sup>1</sup> [Karen Armstrong](#), *Holy War: The Crusades and their Impact on Today's World*, Toronto, Random House of Canada, 2001, 458.

In August of that same year 1492, Christopher Columbus, financed by the King and Queen of Spain, sailed for India and due to navigational miscalculations he landed in America. According to his diaries, Columbus had hoped to establish a state in the new country that would launch a new crusade to recover Jerusalem from Muslims. According to historian Michael Oren:

Inimical images of the East passed to the New World in the minds of the first Europeans to probe it. "As...enemies of the sect of Mahomet" Christopher Columbus set discover a new route to the Holy Land in 1492 he even took along an Arab interpreter for the purpose and so that "all the gains of this my Enterprise should be spent in the conquest of Jerusalem."<sup>2</sup>

Columbus was greeted by the Arawak, "Red Indian" natives, who brought him and his sailors food, water and gifts. Columbus and his sailors were impressed by their hospitality and their belief in sharing, traits contrary to what marked the Western Civilization, which was dominated by the frenzy of money.

Columbus wrote the Court in Madrid that he had reached Asia (it was Cuba). He reported he reached an island off the cost of China (it was Haiti and the Dominican Republic). "There are many spices and great mines of gold....", he wrote to Spain. The natives, or Indians as Columbus insisted on calling them "are so naive and so

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<sup>2</sup> [Michael B. Oren](#), *Power, Faith, and Fantasy: America in the Middle East, 1776 to the present*, New York, W. W. Norton & Company, 2007, 42.

free with their possessions ... when you ask for something they have, they never say no. To the contrary, they offer to share with anyone ...". He promised their majesties that in a next voyage he would bring them "as much gold as they need, and as much slaves as they ask". He added: "Thus the external God, our Lord, gives victory to those who follow his way ... ".<sup>3</sup>

### *Capitalism, A Cocktail Made of God, Slaves and Gold*

God, slaves, and gold were mixed, from the days of Columbus to the days of George W. Bush, to produce a Frankenstein that took several other names for marketing convenience and manufacturing of consent. At times the name used was democracy and at other times it was freedom or globalization. This 'Frankenstein', whatever its name, thrived on slavery, genocide and wars.

One can argue that most of the wealth created in America in the pre-industrial age was based on a racist, inhuman, slavery institution that remained legal for some twelve generations, until it was officially ended by the passage of the thirteenth amendment in 1865 following the American Civil War.

It is not too much to say that profits made from slavery and the slave trade in the years from 1600 to 1860 greatly

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<sup>3</sup> Letter to King Ferdinand of Spain, 1493,  
<http://xroads.virginia.edu/~hyper/hns/garden/columbus.html>

contributed to the emergence of Western Europe and the United States as the dominant nations of the world .Although the Portuguese, Spanish, and Dutch controlled most of the slave trade to the Americas from 1500 to 1700, English and North American traders moved aggressively into the business after 1730. <sup>4</sup>

The main products of the agrarian age, cotton, sugar, tobacco and rice were developed by enslaved Africans and natives, and the wealth created was certainly not a result of enlightenment but a result of inhumanity and cruelty .Even after the American War of Independence, most of those involved in writing the constitution owned slaves as property in their plantations, including George Washington.

In his book, *The Soul of Capitalism* author William Greider wrote:

The American Republic, remember, originated in a Constitution that explicitly recognized the right to own people as private property. The institution of slavery, as productive capital asset (was) protected by law.<sup>5</sup>

Greider argued that the master-servant legacy is embedded in modern enterprise. Corporations are highly structured and non

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<sup>4</sup> Ronald L.F. Davis, Ph.D., California State University,  
*www.slaveryinamerica.org/history/hs\_es\_overview.htm*

<sup>5</sup> William Greider, *The Soul of Capitalism: Opening Paths to a Moral Economy*, New York, Simon & Schuster, 2003, 61.

democratic by nature. The fact that labor accepted or had to accept this master-servant fact does not confer legitimacy. If slaves in plantations were bought and sold as assets in the plantations, workers in corporate capitalism are bought and sold as assets of corporations in mergers and acquisitions, and they are called human assets!

One can notice that the ills of American Capitalism were and are the same in the country's short history. If one reads what a populist wrote in the 19th century, one might think it was written today:

...we meet in the midst of a nation brought to the verge of moral, political and material ruin. Corruption dominates the ballot box, the Legislatures, the Congress, and touches even the ermine of the bench ... The newspapers are subsidized or muzzled, public opinion silenced, business prostrated, homes covered with mortgages.... From the same prolific womb of governmental injustice we breed the two great classes – tramps and millionaires. <sup>6</sup>

### *Expansionism by Hook and Crook*

The American capitalist order was literally built on slavery, expansionism by hook and crook, wars and genocide. Territorial

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<sup>6</sup> Ignatius Donnelly, Populist Party Forum, 1892, <http://historymatters.gmu.edu/d/5361/>

expansion in the United States was needed for economic expansion. More than two hundred wars and interventions were needed to accomplish this, including the genocide against Native Americans. In 1803 President Thomas Jefferson bought from Napoleon 2.1 million square kilometers, an area bigger than France, for 15 million dollars. Fifteen states today are within that purchased area. Florida and California were bought from Spain for 12 million dollars. In 1859 the U.S. bought Alaska from Russia for \$ 7.5 million and offered to buy New Mexico from Mexico, but when the offer was declined, the U.S. occupied it anyway! In 1893 America's soldiers of fortune (now called contractors) deposed the King of Hawaii and took over, and then they sold Hawaii to the United States for 60 million dollars.

When the United States wanted to get rid of the black African citizens; congress approved the purchase of large tracks of land in Africa that was named Liberia, with its capital city of Monrovia, named after President James Monroe. Thus, literally, in American capitalism people and countries and their leaders are bought and sold. They are just assets in balance sheets.

After the United States expanded from coast to coast, it went overseas and started its imperialism with the Spanish - American wars of 1898. This embedded master-servant legacy continued through the 20th century and became aggressively pronounced in the past quarter of century under the label of globalization. In my

lecture at the Harvard Kennedy School of Government on March 18 2008, I defined globalization as the process by which the American Empire transforms nation-states into banana republics to serve the empire!

*American Democracy!*

In a lecture in New York, in 2003, the well known Indian writer Roy Arundhati wrote:

But modern democracies have been around for long enough for neo-liberal capitalists to learn how to subvert them. They have mastered the technique of infiltrating the instruments of democracy – the "independent" judiciary, the "free" press, the parliament - and molding them to their purpose. The project of corporate globalization has cracked the code. Free elections, a free press, and an independent judiciary mean little when the free market has reduced them to commodities on sale to the highest bidder. ...Democracy has become Empire's euphemism for neo-liberal capitalism. ...In countries of the first world too, the machinery of democracy has been effectively subverted....So here it is - the World's Greatest Democracy, led by a man who was not legally elected. America's Supreme Court gifted him his job. What

price have American people paid for this spurious  
presidency?<sup>7</sup>

*“With Us or Against Us”*

But who is “us”?

Is it Exxon and Chevron, or Citigroup and Goldman Sachs?

Or is it the oppressed Americans who just

lost their jobs and homes, and whose tax money

had been generously doled to their oppressors?!

The very same people who caused them

homelessness and misery bestowed

upon them by a President , only the naïve

would have thought him to be of service

to them, and not to their oppressors, those

very people who paid him his way to

presidency, so that he 'll be their fall guy in bad times!

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<sup>7</sup> Arundhati Roy, “Instant-Mix Imperial Democracy”, May 13,2003,  
<http://www.commondreams.org/views03/0518-01.htm>

Many people around the world would have been happy to leave America alone, except America is not leaving them alone. Wars based on lies were waged against them; their countries were invaded and looted, and they were given only two alternatives, to be “with us or against us”.

What does the American system of capitalism have to show the people of the world in order for them to be ‘with it’? Facts and statistics are not on its side. More than 40 million Americans are officially classified as poor in the richest country on earth. Child poverty is 22.4 percent while it is 5.1 percent in Denmark, 4.4 percent in Belgium, 4.3 percent in England, and 2.6 percent in Sweden.

Andrew Moravcsik, a professor of politics at Princeton University argued in a report in *Newsweek* that statistics and facts favor other non-American models such as the European or Japanese, which are more democratic, and provide a better education system, prosperity, and a social security safety net. Europeans work fewer hours, take longer vacations, and are less anxious and more satisfied than Americans, who are burdened with debt. But after the collapse of communism, these systems were assaulted by the Washington Consensus with its aim of imposing the American capitalist model and values on them. Moravcsik, in

another article written with Michael Meyer, editor of *Newsweek Europe*, commented on the aftermath of Hurricane Katrina in *World View*:

This is the aspect of America that foreigners find hardest to comprehend – the seemingly deliberate choice by government to expose its citizens (especially its weakest) to jeopardy. The United States remains the world’s most productive economy. It outspends all other countries combined on defense. But abroad, the American model is not a popular one, and less so since Katrina. Other developed democracies take medical insurance, decent education, efficient public transport and a social safety net as essential attributes of a just society. Yet America seems determined to eliminate this and even lesser protections.<sup>8</sup>

*The Military Industrial Complex’s Committee for the “Invasion” of Iraq*

In preparation for the invasion of Iraq, Robert Jackson, a former weapons manufacturer and Lockheed Martin executive, established the Committee for the Liberation of Iraq. Among the founders were influential members of the American military

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<sup>8</sup> Andrew Moravcsik and Michael Meyer, “The Wonderful World of Oz”, *Newsweek*, September, 19, 2005,

industrial complex and included former Secretary of State George Schulz (now of Bechtel) and many leading neoconservatives.

It should come as no surprise that when it came to awarding contracts for the post war reconstruction of Iraq, all these companies found themselves at the head of the queue. The doctrine of free and fair trade is strangely absent when American interests are at stake. Chevron Texaco was assigned responsibility for the sale of Iraqi oil, and Bechtel and Halliburton's KBR were given construction contracts. These are just the tip of a much larger iceberg. A year after the invasion of Iraq, according to the *Financial Times*, Halliburton's revenues had increased by 80 percent and Bechtel's by 158 percent; between the first quarters of 2003 and 2004 Chevron Texaco's profits went up by 90 percent, and Lockheed Martin stocks increased by 300 percent between 2000 (the year George W. Bush was first elected) and 2004. According to Senator Ron Wyden, "The Iraq contract process looks like Dodge City before the marshals showed up."

While these corporations were prospering, servicemen and their families were sinking deeper in debt. The front-page headline of *USA Today* (August 31, 2006) read: "Pentagon sees risk in troops' loan debt: Payday lenders prey on military." The newspaper wrote:

As many as one in five of the armed services are being preyed on by loan centers set up near military bases that can charge cash-strapped military families interest of up to 400 percent or more, a new Pentagon report has found.<sup>9</sup>

This boom, which benefited just a handful of corporations, was paid for by the blood of mostly poor Americans and innocent Iraqis, Afghans, Palestinians, Lebanese, and others, and was financed by unprecedented deficits. War is indeed a racket.

Who fights America's wars? They are America's poor. When the inscription law was drafted during the Civil War, the rich were exempted if they paid 300 dollars. Not even Lincoln's son, Robert, served in the army, or any of the rich including Rockefeller and his likes. Today, it is the poor again in a 'volunteer's army'. Of all the members of Congress, only one had a child fighting in Iraq. The rest of the army is made of Latinos, African Americans, Asians and poor whites. Almost a third of the U.S. army is made of African Americans whereas they only represent 12 percent of the population. Two million Americans lost their voting rights because of felony convictions, a disproportionate 1.2 million of them are blacks.

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<sup>9</sup> William M. Welch, [http://www.usatoday.com/news/nation/2006-08-30-military-loans\\_x.htm](http://www.usatoday.com/news/nation/2006-08-30-military-loans_x.htm)

## *Living on Borrowed Time and Money*

American capitalism finds itself in a dilemma. On the one hand, its economy is based on growth – growth fueled mostly by oil and debt. America’s oil reserves are in decline as it imports more than 60 percent of its consumption needs. Yet, most of the world oil reserves; at least 70 percent of it lay under Muslim lands. Conveniently under the label ‘the War on Terror’ America invaded Iraq and Afghanistan and had a long list of other countries to invade had it not been for the unexpected resistance they call insurrection. What is terror, asked Muslim leaders, but no answer was given. Was Israeli occupation of Palestinian territory, their humiliation, imprisonment, confiscation of their lands, their prejudicial assassination terror? No answer was given, because the United States and Israel practice the worst kinds of terror. Edward Peck, the former Chief of Mission in Iraq and deputy director of the White House Task Force on Terrorism in the Reagan administration, said in an interview with Amy Goodman (July 28, 2006):

In 1985, when I was the Deputy Director of the Reagan White House Task Force on Terrorism, they asked us ... to come up with a definition of terrorism that could be used throughout the government. We produced about six, and

each and every case, they were rejected, because careful reading would indicate that our own country had been involved in some of those activities.<sup>10</sup>

The results of enforcing American capitalist values on the world are best expressed by the former nun, writer, and feminist Karen Armstrong, who has written a number of books on religion. She believes that the cultural, religious, and value system in Muslim society differs from that of Western society. When you subject a different culture to the same process of so-called modernization and secularization or globalization, “it is unlikely that the end product will conform to what the West regards as the desirable norm,” she says. “If the correct ingredients of a cake are not available – if rice is used instead of flour, dried eggs instead of fresh, and spices instead of sugar – the result will be different from the cake described in the cookbook.”<sup>11</sup> Imposing American values on the world will result in just such a ‘cake’

Robert Fisk wrote in the *Independent* on December 1, 2006:

More than half a million deaths, an army trapped in the largest military debacle since Vietnam, a Middle East policy already buried in the sands of Mesopotamia (Iraq) – and still

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[http://www.democracynow.org/2006/7/28/national\\_exclusive\\_hezbollah\\_leader\\_hassan\\_nasrallah](http://www.democracynow.org/2006/7/28/national_exclusive_hezbollah_leader_hassan_nasrallah)

<sup>11</sup> [Karen Armstrong](#), *Islam: A Short History*, Toronto, Random House of Canada, 2002, 145.

George W. Bush is in denial ... – Washington’s project to reshape the Middle East in its own and Israel’s image – is long dead, its very neoconservative originators disavowing their hopeless political aims and blaming Bush, along with the Iraqis of course, for their disaster.<sup>12</sup>

Bush’s doctrine of who’s not with us is against us echoes George III, who said: “I wish nothing but good. Therefore, anyone who does not agree with me is a traitor and a scoundrel.” He lost the American colonies in 1783. People the world over would like America to lead a global war on hunger and poverty, and as charity starts at home, would like to see this happen first in America. The problem is that its system cannot do so without a system change.

The problem is not with Bill Clinton or George Bush. It is with the system that produces them. Barack Obama is and will be no different, because the system that creates presidents gave him the most expensive election campaign in history. Three weeks after he assumed office, Barack Obama visited Elkhart, Indiana on February 12, 2009. The month before, 600,000 Americans lost their jobs, one of them, a father of seven, introduced Obama just before he gave his speech. Obama said: “If we don’t act immediately, our nation will sink into a crisis that, at some point,

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<sup>12</sup> Robert Fisk, “Like Hitler and Brezhnev, Bush is in Denial”, *Independent*, December 1, 2006.

we may be unable to reverse.” Action is needed, yes, but to help whom? He offered sympathy to the “families who’ve lost the home that was their corner of the American dream” and the “young people who put that college acceptance letter back in the envelope because they just can’t afford it.”<sup>13</sup>

Nice talk. No one doubted that this Harvard Law School product would not excel when it comes to talk. The next day, he went to Fort Myers, and gave his sympathy again to a family that lost its home and was living in a car. But these people needed more than sympathy. They needed the government to bail them out. As soon as he returned back to Washington he opened his tax payers money check book and started to write the checks to bail out Wall Street and not Main Street. After all, the difference is one word and presidents don’t have time for such small details. His memory was fresh with gratitude to those who paid for him to win the elections, more than \$ 700 million. What the jobless people of Elkhart or the homeless of Florida can do for him? According to the New York Times, Obama checks went to buy ‘toxic’, yes, ‘toxic’ assets from those very same financial institutions and corporations that caused the Elkhart unemployment, and the Florida joblessness:

*The New York Times wrote:*

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<sup>13</sup> Barack Obama, Address before a joint session of Congress, February 24, 2009, <http://www.presidency.ucsb.edu/ws/index.php?pid=85753&st=&st1>

Beyond the \$700 billion bailout known as TARP, which has been used to prop up banks and car companies, the government has created an array of other programs to provide support to the struggling financial system. Through April 30, the government has made commitments of about \$12.2 trillion and spent \$2.5 trillion...”<sup>14</sup>

To say it simply, Obama committed the equivalent of America’s total GNP for one full year to bail out Wall Street, something that is unprecedented anytime and anywhere in history. Some of the money went to buy toxic assets, a process Nobel Laureate Joseph Stiglitz coined as cash for trash, but I call it trash for trash, as the fate of the American dollar is heading to be trashed as the world reserve currency, as pumping so much money into the system will only lead to its demise.

The paradox is that while America is generously writing checks to Wall Street, and at a time its per capita gross domestic production (GDP) is around \$54 000, its survival is dependent on China, with a per capita GDP of \$2400, to finance its deficits to sustain its present standard of living! Such ridiculous interdependence is maintained through the vulnerable processes of globalization.

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<sup>14</sup> “Adding Up the Governments Total Bailout Tab”, *New York Times*, February 4, 2009.

### *Mass Production of Goods and Unhappiness*

Mass production characterizes capitalism in goods and unhappiness. According to Time magazine, “100% was the increase in the number of Americans taking antidepressants in 2005 compared with 1996 according to a recent study.”<sup>15</sup> In a Time magazine issue in December 2008, it was reported that a study conducted by Columbia University and the National Institute of Health and the Psychiatric Institute of New York revealed that about fifty percent of those in the college age category suffer from psychological disorders and less than a quarter seek medical assistance. Alan Greenspan, the Chairman of the Federal Reserve for eighteen and a half years, told the American Council on Education in early 1999 that he was puzzled why in 1981, in the depth of recession, 12 percent of workers were fearful of losing their jobs, while in 1999, in a supposedly tighter labor market in two generations, workers fearful of losing their jobs went up to 37 percent. The surveys in both cases were conducted by the same organization, the International Survey Research. Mr. Greenspan, who was once proclaimed the most successful Federal Reserve Chairman, also said he was puzzled how things turned out in the recent financial crisis. He said, when he testified to Congress in October 2008, that he did not know what caused the crisis nor did

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<sup>15</sup> *Time Magazine*, August 17, 2009, 6.

he have a solution. Why should the world have to believe in such an expert on vital issues such as money and finance?

Few will argue against the fact that American capitalism is second to none in creating material abundance, but few also will argue against the fact that this abundance is always associated with an abundance of misery, wars, poverty and wealth disparity. These are simply the products of the system. Take them or leave that system! But we are told we have to take the 'system' or else...

In general, Muslims would like to leave that system. They think they have an alternative model in life that mixes morality with materialism. The problem is that the self appointed global policeman assigned himself a 'security' role to ensure that no other model but his prevails. Not that this global policeman has any argument for his ideology, if his capitalism processes can be called one, but because he believes that might is right. He thought his power was without limits, his reach unprecedented in a way that he could force it on the world, until he learned the hard way, in Muslim lands, that the arrogance of power has its limits, and at least to Muslims, might is not always right. Muslims and much of the world knew that America's War (of) Terror smells oil. In capitalist ethics, 'anything goes' and growth justifies all means to attain it. John Maynard Keynes, an icon of 20th century capitalism

said: "...we must pretend to ourselves and to every one that fair is foul and foul is fair..." But to Muslims and all moral ideologies, foul is foul and fair is fair.

The abundance produced by Capitalism lacks morality, since this abundance is maldistributed, and 'guarantees' unhappiness to all segments of society since it is based on unleashing baser human motives, such as untamed greed and self interest, the instincts that all religions, Islam included, came to tame. The unhappiness makes no exception to the financial robber barons themselves, as they live between the two instincts of greed and anxiety.

*Lee Atwater wrote as he was dying from cancer:*

My illness helped me to see that what was missing in society is what was missing in me: a little heart, a little brotherhood. The 80's were about acquiring-acquiring wealth, power, prestige. I know. I acquired more wealth, power and prestige than most. But you can acquire all you want and still feel empty..... It took a deadly illness to put me eye-to-eye with that truth, but it is a truth that the country, caught up in its ruthless ambitions and moral decay, can learn on my dime. I don't know who will lead us through the 90's, but they must

be made to speak to this spiritual vacuum at the heart of American society, this tumor of the soul.<sup>16</sup>

Ayatollah Al Khomeini wrote Mikhail Gorbachev a letter on January 1 1989 advising him that the ills of both socialism and capitalism are due to lack of spirituality. He added:

Of course it is possible that as a result of wrong economic policies of former communist authorities, the Western world, an illusory heaven, will appear to be fascinating; but the truth lies elsewhere. If you hope, at this juncture, to cut the economic Gordian knots of socialism and communism by appealing to the center of Western capitalism, you will, far from remedying any ill of your society, commit a mistake which those to come will have to erase. For, if Marxism has come to a deadlock in its social and economic policies, capitalism has also bogged down, in this as well as in other respects though in a different form....<sup>17</sup>

If Ayatollah al Khomeini invoked religion to preach to Mr. Gorbachev, he is a man of religion after all. But the head of secularism, the president of the United States, using God to promote his 'War of Terror' invoked both God and the Devil Gog

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<sup>16</sup> Lee Atwater and T Brewster, "Lee Atwater's Last Campaign," *Life Magazine*, February, 1991,67

<sup>17</sup> <http://almusawwir.org/resistance/2008/08/12/remember-russia/>

and Magog to promote his war against Iraq. French President Jacques Chirac disclosed what President Bush told him in a phone conversation:

“Gog and Magog are at work in the Middle East...The biblical prophecies are being fulfilled...This confrontation is willed by God, who wants to use this conflict to erase His people’s enemies before a New Age begins.”

“...the puzzled French leader didn’t comply with Bush’s request. Instead, his staff asked Thomas Romer, a theologian at the University of Lausanne, to analyze the weird appeal. ...In 2007, Dr. Romer recounted Bush’s behavior in Lausanne University’s review, *Allez Savoir*.”<sup>18</sup>

### *For Once Gorbachev Was Right!*

The March 2009 issue of the Harvard Business School (HBS) quarterly magazine, the Bulletin, explained what HBS professors are doing to help diagnose and assist the US economy to recovery. As I received my copy, I sent my response to the editor suggesting that Harvard may not be able to provide solutions to the crisis because it restricts itself within the box of capitalism that kept

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<sup>18</sup> James A. Haught, “A French Revelation, or The Burning Bush”, [http://www.secularhumanism.org/index.php?section=library&page=haught\\_29\\_5](http://www.secularhumanism.org/index.php?section=library&page=haught_29_5)

producing such crisis. The letter was published in the June 2009 issue and was titled: Wall St. vs. Main St.

In the Anglo-Saxon/American capitalistic order, there are two important aspects of market capitalism — materialism delinked from ethics, and the heads Wall Street wins; tails Main Street loses formula that defines the relationship between Wall Street and Main Street. Moreover, government facilitates this order for the superrich in times of boom, and bails them out in times of bust. Today, we have government of banks, for banks, and by banks that must be bailed out at the expense of taxpayers.

As George Soros argued in his book *The Crisis of Global Capitalism*: “Capitalism and democracy obey different rules.... The interests that are supposed to be served are different: in capitalism it is private interests, in democracy it is the public interest. In the United States, this tension is symbolized by the proverbial conflicts between Wall Street and Main Street.”

For HBS professors to be able to contribute to solving the global economic crisis, they must think beyond the system

that created them to be at its service. Can HBS and other business schools meet the challenge?<sup>19</sup>

The Next Time May be, If there Will be a Next Time!

It seems that finally Mr. Gorbachev is disenchanted with American Capitalism. At about the same time that my comments appeared in the HBS Bulletin in early June 2009, Gorbachev, as reported by the Washington Post on June 7<sup>th</sup> 2009 wrote:

In the West, the breakup of the Soviet Union was viewed as a total victory that proved that the West did not need to change. ... The 'Washington Consensus,' the dogma of free markets, deregulation and balanced budgets at any cost, was force-fed to the rest of the world. But then came the economic crisis of 2008 and 2009, and it became clear that the new Western model was an illusion that benefited chiefly the very rich.

It is interesting that Gorbachev and Khomeini used the same word describing capitalism's prosperity as 'an illusion'. Gorbachev continued:

But if all the proposed solutions and action now come down to a mere rebranding of the old system, we are bound to see another, perhaps even greater upheaval down the road. The current model does not need adjusting; it needs replacing. ... That model is

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<sup>19</sup> Abdulhay Y. Zalloum, "Wall St. vs. Main St", *Alumni Bulletin*, Letters to the Editor, June 2009

now cracking and will, sooner or later, be replaced. That will be a complex and painful process for everyone, including the United States.<sup>20</sup>

Who said that Gorbachev cannot at least once be right?

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<sup>20</sup> Mikhail Gorbachev, “We Had Our Perestroika. It’s High Time For Yours”, *Washington Post*, June 7, 2009. <http://www.washingtonpost.com/wp-dyn/content/article/2009/06/05/AR2009060501966.html>

## *CHAPTER 1*

### *FROM CULTURAL INVASION TO TRADE*

“The deep roots of Judeo-Christian values (historians) explore go back to the Protestant Reformation ... In the American context, historians use the term Judeo-Christian to refer to the influence of the Hebrew Bible and New Testament on Protestant thought and values, most especially the Puritan, Presbyterian and Evangelical heritage. These founding generations of Americans saw themselves as heirs to the Hebrew Bible,...These ideas from the Hebrew Bible, brought into American history by Protestants, are seen as underpinning the American Revolution, Declaration of Independence and the United States Constitution. Other authors are interested in tracing the religious beliefs of America's founding fathers, emphasizing both Jewish and Christian influence in their personal beliefs and how this was translated into the creation of American institutions and character.”<sup>1</sup>

The historical relationship between the Muslim world and the West in general, including the United States was subject to five factors starting with the letter G. Thus we call them the five Gs, namely:

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<sup>1</sup> Encyclopedia Wikipedia: Judeo-Christian culture

- **God:** Even though the major three religions of Judaism, Christianity and Islam are Abrahamic religions that sprang up in what is called the Middle East, they share most of the ten commandments values but differ in that both Judaism and Christianity proclaim that what is for God is for God and what is for Caesar is for Caesar. Islam has no such distinction, as what is for Caesar is also for God.
- **Geography:** The Muslim world stretches from Morocco on the Atlantic to the borders of China. It is strategically located at the cross roads of three continents, including most of Eurasia, which was the core of all empires in history to the extent that it was concluded that without controlling Eurasia the prerequisites of an empire would be incomplete.
- **Geopolitics:** Due to its location, rival empires needed hegemony over Eurasia in their geopolitical power politics. Even when the Ottoman Muslim Empire was so weak for most of the 19<sup>th</sup> century, it was not allowed to collapse, as the powers, the empires could not agree on the spoils
- **Geology and Gold:** Mainly black gold, oil, since the Muslim world possesses about 70 percent of the world

oil reserves. He who controls these reserves and oil supplies can project significant power and influence in an oil-civilization which is much dependent on petroleum oil for most aspects of life. Oil revenue wealth recycling to the global bankers one way or another is vital in the system of fiat money, where this precious commodity is traded with paper currency that is mostly converted into another form of paper, Treasury bonds!

- **Globalization:** As explained elsewhere in this book, the United States assigned itself as a global administrator that would provide security (wars) to maintain the necessary flows for globalization to function and their interdependencies. America and the West decided that for globalization to work, Muslims must get rid of the values of Islam and its ethics, including the rejection of usury, which happens to be the backbone of capitalism. They claim that American and Western values are good for everybody everywhere, and believe that those who do not embrace these values are against it!
- The relationship that governed the United States' relationship with the Muslim world from the day of independence until this day, was always governed by these five Gs.

*The First United States Interventions & Wars with Muslims*

When the American colonies declared their independence the core Muslim State was the Ottoman Muslim State headed by a Khalifa known also as Sultan, who according to Islam is the political and religious leader of Muslim lands. In Islam, what is to God is to God and what is to Caesar is also to God. The French Revolution and its twin, the American Revolution, both led by Masons advocated secularism: the separation between State and Church. Though this may be possible in Christianity since indeed there were two entities, a state and a church, this does not apply to Islam which has no church or clergy, as both functions are one and the same. Thus, for the West the divorce between State and Church was made final and official. Not so for the Muslims. To adherent Muslims, secularism or the separation of Islam from everyday life is asking Islam not to be itself. Muslim scholars believed, and still do, that the Western powers have as an objective to impose secularism, a Judea-Christian Masonic invention on the Muslim world. To bring about this objective, Western missionaries worked side by side and hand in hand with the Western colonialists, and many times went ahead of them to pave the way for Western colonialism and imperialism. Secularism in the Muslim lands became an

imperial western objective that was meticulously pursued until it was realized officially in 1924.

The Ottoman Muslim State in 1776 was made up of a highly autonomous confederacy that comprised most of today's Eastern Europe, including Serbia, Greece, Bulgaria ,parts of Romania and Ukraine, present Turkey, present Middle East States of Syria, Lebanon, Palestine (and Israel) ,Iraq, the Gulf States, Egypt, Libya, Tunisia, and Algeria. Thus, about eighty percent of the Mediterranean coasts were under Muslim control. The regional states (Wilayat) of the Ottoman Muslim State, especially those of North Africa, considered the Mediterranean, their lake, a Muslim lake, and any other party entering their lake had to pay a fee which was called a tribute, something like a Panama Canal or a Suez Canal fee. This was an accepted fact of life in 1776 and Britain, as well as most of Northern Europe were paying a tribute to the North African states of present Libya, Tunisia, Algeria, and Morocco. These states were known to Muslims as Bilad Al-Maghreb, but to the West as the Barbary States. American ships entering the Mediterranean before 1776 when the American colonies were part of Britain were covered by the tribute paid by Britain. It was not so when they separated from Britain and declared their independence.

The North American colonies traded with the Middle East as far back as the 17<sup>th</sup> century. In 1625, the Moroccan navy captured a ship that departed from the North American colonies. In 1678 the

Algiers navy seized a Massachusetts ship and thirteen vessels from Virginia. But by 1770, one fifth of the American exports went to Mediterranean ports and the trade was growing. The new independent United States tried at first not to pay tribute. Since it had no official navy, which was yet to be approved by Congress, American citizens, especially the merchants, assembled a navy between 1776 and 1783, an unofficial naval force to confront Algerian navy and protect their trade in the Mediterranean. The private American naval force was totally destroyed or sunk by the Moroccan navy and in 1784 Morocco captured the American ship *Betsy*. Two months later, two more American ships, the *Dauphin* and the *Maria* were captured by Algiers and twenty-one American sailors were arrested. As a result, Congress enacted the law to create the American navy in 1784 and its mission was to protect trade in the Middle East! Congress also instructed that there be negotiations with 'the Barbary States' to discuss the issue of paying them tribute.

America's ambassador to London and later United States President John Adams was instructed to start diplomatic negotiations with the North African States. He met with Abd al-Rahman Al-Ajar, the political representative of the Pasha of Tripoli in 1785. Al-Ajar explained the logic behind the North African states policy towards ships entering the Mediterranean, which Al-Ajar described as an Islamic sea. He concluded that the United States

must pay a tribute of one million dollars, a substantial amount if one knew that the United States budget was about ten million dollars only! William Jefferson, who also became president later on, joined Adams and had talks with Tunis envoy Al-Ajar and had no better luck than Adams. Adams recommended to Washington that they pay the tribute, which he preferred to call the bribe, as the alternative was war which the United States could not afford and could not win at that time. Grudgingly he wrote in his memoirs that: "The policy of Christendom has made cowards of all their sailors before the Standard of Mahomet."<sup>2</sup> Congress also instructed Adams, Jefferson and Franklin in June 1786 to make peace with Morocco. The peace treaty was signed and the ship Betsy was released and a 20,000 dollar tribute was paid. An American council was assigned to Tangiers. The Betsy had been recaptured however, this time by Tunis.

The U.S. Government sent John Lamb as its envoy to Algiers in 1786 to release the American prisoners captured two years earlier. His mission ended in failure as he failed to meet the demand of the Algerians. The issue of the North African threat to American national security was exploited to maximum limits. Until then, the United States had no constitution even though each individual state had theirs. The Middle East threat was overblown for internal

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<sup>2</sup> Encyclopedia Wikipedia, Abdul Hamid II,  
[http://en.wikipedia.org/wiki/Abdul\\_Hamid\\_II](http://en.wikipedia.org/wiki/Abdul_Hamid_II).

political designs. Using this exaggerated threat allowed those advocating for a strong federal government and army to win. Historian Thomas Bailey commented that in some way, the Bay of Algiers “was a founding father of the Constitution.” Maybe North African Muslims can be called the fathers of the American Navy, because North Africa was used by American politicians to advocate for the creation of a U.S. Navy. The congressional resolution in 1794 authorizing the creation of a Navy specifically stated that such a Navy must be adequate for the protection of commerce of the United States against Algerian corsairs.

In 1790 Thomas Jefferson became Secretary of State. With a U.S. navy, he was spoiling for a fight with the Barbary States. He recommended to Congress that the U.S. go to war with Algiers. Congress refused and instead approved a \$140,000 tribute payment. In March 27, 1794 George Washington signed a bill authorizing the building of six frigates.

The ‘George Washington’ was the first U.S. Navy ship to enter the Mediterranean and that was in 1800. It was carrying a \$500,000 tribute to Algiers. Algiers, though autonomous, was part of the Ottoman Muslim State and thus contributed to the finances of Istanbul. At Algiers, the Crescent, a 36 gun boat was waiting. That ship was part of previous tributes paid by the USA. to Algiers.

After paying \$ 500,000 to the Dey, the commander of the George Washington was informed that his journey was not over. He had to carry material to Sultan Khalifa in Istanbul. Afraid of having his ship confiscated if he refused, he complied. So the George Washington was loaded with 150 sheep, many ostriches and parrots, sweets and more than a million dollars of gold, jewels and goods. The commander agonized throughout the trip to Istanbul and it bothered him so much when he noted that the Algerians so punctually kept their five daily prayers, rain or shine, struggling in rough waters to stay put while praying in the direction of Mecca.

Jefferson, now a U.S. president, was determined to confront the North Africans as he now had a Navy. With Congress still against the declaration of war, he side-stepped Congress and he ordered the new American Navy to start policing the Mediterranean waters. He ordered the Navy to repulse any aggression by “sinking, burning or destroying their ships.” Thus, going to War without Congress became a practice of many later U.S. presidents. Again, Jefferson wanted to intimidate the Pasha of Tripoli, Yusuf Qaramanli with the issue of the tribute. Qaramanli was so enraged, that on May 14, 1801 the Pasha’s soldiers went to the American Consulate in Tunis and cut the pole of the standard of the American flag, an act of war. Jefferson wanted war and now he got it. The USA sent a squadron made of the Essex, the President, the Philadelphia and the Enterprise with the instruction of blockading

the port of Tripoli and shelling the city to scare Qaramanli until he surrendered. That must have been 'shock and awe' Jefferson style, two centuries before George W. Bush's. The instruction for the commander of the squadron was to use its "best exertions to keep the enemy's vessels in port....and subdue, seize and make prize" of any attempting to escape.

The mission started its operations by having the Warship 'the Enterprise' raise a British flag. As such, it advanced to a point blank range from the ship Tripoli. The Enterprise then suddenly raised the American flag and stormed the 'Tripoli' killing thirty of its crew of eighty sailors, arresting its captain Rais Mohammad Soussa, and belting and flogging him in public. A landing party from the squadron went to shore, set eleven feluccas loaded with wheat afire on May 25, 8001. Recovering from the surprise attack, Qaramanli's boats managed to escape the blockade and set their own blockade for the American squadron. The marine force that landed on shore, had fifteen members killed, the first marines casualties in the Middle East! The American squadron commander had to surrender to Qaramanli with a white flag in hand.

In August 1803, USS Philadelphia heading a U.S. Navy squadron entered the Mediterranean. They encountered the Moroccan ship 'Almarkoba', attacked it and arrested its passengers.

On its way to Tripoli, they attacked Tripoli boats opposite the Tripoli coast. The Tripoli boats withdrew, probably in a tactical move, closer to their shores, but were followed by the USS Philadelphia. Its captain claimed he hit a coral, at which time in the afternoon of October 31, 1803, nine Tripoli boats closed in on the Philadelphia, arrested its captain along with his 307 marines. They were all stripped of their clothes and taken as prisoners to shore. The Tripoli boats tugged the Philadelphia to shore as well and Yusef Qaramanli, the Pasha of Tripoli decided to rename it 'the Gift of Allah'. But the Americans came back on the 'USS Intrepid' and on the night of February 16, 1804, a party of American marines dressed as Maltese sailors, got to the Philadelphia and set it on fire. Pope Pius VII considered this an act that did "more for Christianity than the most powerful nations of Christendom have done for ages."

Qaramanli was offered \$ 100,000 for the release of the captain and crew of the Philadelphia but he refused. He demanded 1.5 million U.S. dollars! So the U.S. Navy was again called to act against Tripoli. A party of marines, led by Joseph Israel, under the cover of night were carried close to Tripoli shores by the Intrepid which was also carrying 15,000 pounds of gun power. The mission was to destroy the Qaramanli fleet at port under the cover of night. Obviously they were spotted by Tripoli boats, and the force that landed was killed and the Intrepid itself exploded with its tons of

gun powder, producing lighting light flares and thunderous loud explosions. Again, when the U.S. squadron commander asked Qaramanli for permission to bury the crew, Qaramanli insisted that their bodies be left to the dogs.

*The First American Regime Change Plan in the Middle East*

John Eaton, an adventurer by nature, who fought Native Americans enthusiastically, was chosen as America's first council to Tunis in 1799. He carried with him the tribute to Tunis, which included two American made warships. He was duly respected according to diplomatic norms with a salute from firing cannons. The Bay of Tunis however, presented a bill for \$800 being the cost of gun powder used for the occasion. Eaton became convinced that the answer to America's problems in North Africa was an American force of marines to occupy one of those states to strike fear into the hearts of its rulers. He left his Tunis post and went back to Washington where he and his hard-line supporters promoted his vision. His plan finally was based on a regime change for Yusef Qaramanli. The plan was to use Yusef's brother Hamid, who was exiled to Egypt after Yusef took over power. So with Hamid siding with the American plot, Eaton could form an army made up of a few Americans and other mercenaries. President Madison

encouraged Eaton to feel free to apply his “zeal and ....calculations” to help Hamid in overthrowing his brother. Eaton must not expect his covert operation to have overt American intervention. To give him diplomatic protection he was named Agent of the United States to the Barbary States. Eaton sailed for Egypt soon after.

The first two things he did were to locate Hamid Qaramanli, whom he finally located at Burj El-Arab. Then he promoted himself to general! And he started to assemble his army which finally numbered about 400. It was made of unspecified numbers of American marines, ninety Tripolitans, sixty-three European mercenaries [or contractors per today’s terminology!] as well as 250 Bedouins. Hamid pledged to set the American prisoners free when he assumed the post of his brother. The trip across the desert was characterized by severe weather, tough terrain, dwindling provisions and frequent fighting between the Muslim and Christian soldiers of his army. On more than one occasion Eaton’s army Bedouins were about to revolt and even Hamid himself had second thoughts about the merits of his mission against his brother. Eaton had arrangements with the U.S. Navy that an American war ship would meet him at the Bay of Bomba, thirty miles west of Tobrok, loaded with supplies and ammunition. Sure enough, USS Argus arrived loaded with supplies and food. With new supplies and refreshed, Eaton’s army continued to Derna, the second largest port

of the region. The plan was for it to be the launching pad to Tripoli. Eaton's army arrived at the gates of the port city on April 15. Self-made General Eaton demanded that the governor surrender his city. The governor's response was: "my head or yours." American battleships the 'Argus, the Hornet and Nautilus' were hovering within range from Derna and started to bombard the city's defenses. Eaton started his attack. He was shot through the wrist and two of his marines along with many of his army were killed or wounded. Three thousand troops of Qaramanli suddenly arrived, encircling Eaton and his army and they started a counterattack. Sixty of Eaton's army was killed at the first charge. Eaton and his army were now under siege. The U.S. had to conclude an agreement with Qaramanli. President William Jefferson appointed Tobias Lear as representative of the United States. Lear thought that only through peace with Yusuf Qaramanli could America have its prisoners released and normalize relations with Tripoli. He negotiated with Yusuf and agreed to exchange one hundred Tripolitan prisoners with 296 captive American marines and their commander, plus a cash payment of \$60,000. By the end of May, the USS 'Constellation' advised the besieged Eaton of the agreement. Hamid was handed to his brother, and he lived peacefully in Tripoli thereafter. On June 4, 1805, the USS Constitution arrived at the harbor of Tripoli and carried away the

American prisoners and their commander. And America's first armed attempt for a regime change in the Middle East ended in failure! Yet until this day, the U.S. marines hymn includes the lyric 'to the shores of Tripoli' even though there was not much for them to brag about at the battle of Derna!

The United States grew stronger and bigger. By 1815, President James Madison sent an American fleet against Algiers, Tunis and Tripoli forcing them to stop attacking American ships. That put an end to a thirty year war between America and the Muslim North African States.

*Two Centuries After Marine Assault on Derna: Why Do They Hate Us*

The answer to George W. Bush's question, why do they hate us, can easily be explained from an investigative report carried by the international issue of Newsweek of May 12, 2008 (p 30) titled "Destination: Martyrdom". The report was to determine why the city of Derna, which was bombarded by American Marines two centuries back, was the base for so many volunteer suicide bombers during the war in Iraq.

When in 2007, American marines raided the headquarters of an Iraqi resistance group, the Mujahedin Shura Council at the Northern Iraqi town of Sinjar, they started to analyze the files and nationalities the backgrounds of 606 fighters. They were stunned to

find out that 112 came from Libya including fifty-two from the small city of Derna with a population of 50,000. Saudis numbered 244 but on per capita basis, the Libyans represented the highest percentage, and the city of Derna was by far the highest producer of Jihadi suicide bombers. Take the case of 20 year old Abd al-Salam Bin-Ali who was born and raised in Derna. He was blind in one eye, graduated as a veterinarian; he was jobless in an oil rich country that left his city and most of Eastern Libya very underdeveloped. He repeatedly watched the ‘The Lion of the Desert’ a 1981 epic of Libyan resistance starring Antony Quinn who acted as Omer Al Mukhtar, the charismatic, white-robed Muslim holy warrior who led the revolution against the brutal Italian occupation. Al Mukhtar became known as the Lion of the Desert. For twenty years, Mukhtar’s guerrillas harassed the Italian forces until he was finally captured in 1931. Italy’s practices were brutal. “According to one Libyan census, the native population dropped from 1.2 million in 1912 to 825,000 in 1933: ...‘the direct result of Italian policy’, says Ronald Bruce St. John, a widely respected scholar of Libya who adds that Italy’s tactics included concentration camps, deliberate starvation and ‘mass execution that bordered on genocide.’”<sup>3</sup>.

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<sup>3</sup> George Antonius, *The Arab Awakening: The Story of the Arab National Movement*, Philadelphia, JB Lippincott Company, 1938, 69.

Derna was the sight of the American Marines first battle in the Middle East, supported by mercenary 'contractors'. The city was bombarded by the American fleet in the early 1800s. If the marines still remember 'the shores of Tripoli' until this day in their Hymn, so do the people of Derna remember the American bombardment of their city. Abd Al Salam also tuned in to Aljazeera and other Arab satellite channels and was horrified by the casualties and destruction he saw happening to the Iraqis and their infrastructure. He told his mother that he wanted to go and fight the Americans in Iraq, but retracted to comfort his mother when she got upset. Then one day he disappeared. After a few weeks, the family received a call from him. He said he was now in Ramadi. "I am in Iraq," he said!

Concerned about the number of Libyans joining the Iraqi resistance, the U.S. State Department in November 2007 sent a delegation led by Gen. Dell Dailey to Tripoli to meet with senior Libyan officials. The Libyans at first could not believe the numbers provided by the Americans until they were shown the documents from Sinjar. According to later American reports, the U.S. was pleased with the level of cooperation provided by the Libyan authorities in combating 'terrorism'. The Newsweek report concluded:

Despite the Sinjar revelations, few U.S. officials believe that Kaddafi is sending fighters to Iraq. A wave of Jihadists

returning to Libya from Iraq with new skills would be at least as big a nightmare for him as it is for Americans.<sup>4</sup>

Anti-American resistance is deep rooted, as can be concluded by the Newsweek interviews with some relatives of the Mujahidin. When the reporter advised the Mayor of Derna about the number of his citizens who volunteered as Mujahidins, he did not believe it until again he was confronted with the documents. He then said this: “If this number is true, it’s very bad. It’s bad for politics. But it’s not bad for Muslims to do their duty. America said that this war is for freedom. And it’s not.”

The Derna city mosque’s 60-year-old muezzin, Anuri al Hasadi, was just arriving from afternoon prayers when a Newsweek reporter stopped by to ask him about his 18 year old relative Ashraf who volunteered as a Mujahid and was now in Iraq. At first Anuri did not want to answer but then he suddenly erupted. “Oil! Oil!” he cried. “America needs oil. It’s America’s fault.”

Twenty-eight year-old Abdelhakim Okaly slipped out of Derna in the late spring of 2007. Even though his relatives asked the city immigration office to deny him a travel permit, as they worried he may go to Iraq, they noted that Abdelhakim was

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<sup>4</sup> Kevin Perraino, “The Jihadist Riddle: Destination Martyrdom”, *Newsweek*, April 28, 2008,

increasingly irritated by what he considered the brutality of American occupiers of Iraq. He came from a well to do family, and had a chance to join the family business, but insisted he wanted to take up the call of Jihad against the American invaders.

The brother of Abd al Salam al-Ali, Abdelhamid, said he has now come to terms with his brother's death. "When he was killed, I was really very happy", he says, frowning and wringing his hands. "In my opinion he was right to go. He was right to go. We see people getting killed for nothing. I used to think about going myself". Now Abd al Hamid is the family's sole support. "I can't go now", he says quietly. "It's only me now".

*The American Cultural Crusades: Dismembering the Ottoman Muslim Empire*

Soon after President Madison sent the American Navy to subdue the North African states, a cultural invasion of the Middle East was planned. A group of American clergymen, industrialists, and businessmen formed in 1810 the American Board of Commissioners for Foreign Missions with the purpose of fostering missionary centers in the non-Protestant world. America, they claimed, had a divinely assigned role to act as a "light unto nations." To American Protestants, the Eastern Christians, Greek Orthodox and Armenians were spiritually misguided, but could be easily converted. They called them "Christians in name" only. The

Muslims, they thought were spiritually nil and were desperately waiting for salvation.

Many clergymen started to advocate evangelizing the Jews and uniting the Old Israel with the New. A Massachusetts Presbyterian, Asa McFarland declared: “When that [Ottoman] empire falls...the Jews will begin to be restored to Palestine ...and Christ will take to himself his power and reign.”<sup>5</sup>

In 1816, an issue of Niles Weekly Register wrote that when the “weak and imbecile” Ottomans are ousted from Palestine, the Jews will return and swiftly make that desert “blossom like roses.” It was a predetermined agenda of the Protestant missionaries to assist in the disintegration of the Muslim Ottoman State so that their restorationism could be realized.

Before departing from Boston to the Holy Land and becoming the first missionaries to the Middle East, two 25 years old preachers addressed the crowd at Boston’s Old South Church, and what became the missionaries program for the Muslim world. Levi Parsons was the first to speak:

“They who taught us the way to salvation were Jews,” Parsons began. They had faithfully preserved the Bible, had worked, suffered, and died defending “our” religion, he attested. “Our

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<sup>5</sup> Michael Oren, *Power, Faith and Fantasy: America in the Middle East, 1776 to the present*, New York, W.W. Norton and Company, 2007, 89

God was their God. Our heaven is their heaven.” Most crucially, Parsons recalled, they had provided humanity with its Savior. “Yes, brethren, he who now intercedes for you before the throne of God ... is a Jew!” To show their gratitude for the Jews’ munificence, he concluded, Christians must strive to restore that people to sovereignty in its ancestral and biblical home.

Parsons explained how the Jews had been living for eighteen centuries in political limbo, homeless, and shorn of independence. The time had now arrived, however, to redress that inequity. “Admit”, he said, “there still exists in the breast of every Jew an unconquerable desire to inhabit the land which was given to the Fathers; a desire, which even a conversion to Christianity does not eradicate.” That land was Palestine, once splendidous but now not an independent state nor even a distinct province, but a sparsely inhabited Turkish backwater waiting for its rightful owners to regain it. And reclaim it they would, Parsons ventured. Were the Ottoman occupation of Palestine to vanish, “nothing but miracle would prevent their [the Jews] immediate return.”<sup>6</sup>

Parsons said that the return of the Jews to Palestine was a necessary condition for the emergence of a Messianic Jewish polity, thus fulfilling the prerequisite for the “Second Coming”. The second preacher, Pliny Fisk spoke about redemption and Palestine.

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<sup>6</sup> Ibid. 80.

Ending the speech he said: "And now, behold, I go bound in the spirit unto Jerusalem," The Church crowd burst into tears. Thus, from this Church which was the stage for instigating Americans to dump the East India Tea into the sea and spark the American Masonic-led revolution, the spark of the new Crusade was ignited, this time again from Boston, USA. The two preachers toured the whole country and were well received and they received donations from various churches for their Crusade, not unlike the tours of the Pope before the first European Crusade. John Adams, a future president, wrote according to Mordecai Noah in 1819: "I really wish the Jews again in Judea an independent nation." Zion, which was America to the early pilgrims, now became Palestine to those American crusaders.

The agenda of the missionaries therefore became clear: the return of the Jews to Palestine, and the destruction of the Muslim Ottoman State that, according to the missionaries, was an occupant of Palestine. The new Crusade began and the missionaries were the Crusaders spearhead. Ninety Eight years later, Palestine was occupied by the Anglo-Saxon Protestants at the other side of the Atlantic, the British, who exported their initial immigrants packed with anti-Islamic passion to America. Palestine was occupied by Britain with the specific war objective of creating a Jewish state in

Palestine. General Allenby said as he entered Jerusalem in 1917 “Only now have the Crusades ended”.

To that end, the missionaries worked patiently and planned and executed a cultural invasion that assisted, along with other factors, in the disintegration of the Ottoman Muslim Empire. Amongst their monumental educational landmarks was the Syrian Protestant College founded in the early 1860s by the protestant preacher Daniel Bliss. With the establishment of a similar institution in Turkey at about the same time, both institutions played a key role in the creation of Turkish nationalism on one side, and Arab Nationalism on the other side. In 1920, the American Protestant College changed its name to the American University of Beirut, disguising the religious connotation (protestant). The word Syrian was also removed since Beirut was no longer in the province of Syria, but in a newly created entity called Lebanon.

### *The Cultural Invasion Backed by the American Navy*

Most Americans sided with the Greek Revolt due to their religious convictions that the Greeks were nothing less than later-day Crusaders and that the war was one between Christendom and Islam. Support groups sprang up in major cities and universities. The Greeks received covert assistance from Europe, but when the Ottomans and the Egyptian forces regrouped to crush the revolt, a

combined Western power naval force from Britain, France, and Russia intervened overtly and sank most of the Ottoman Egyptian flotilla on October 20 1827 in the Bay of Navarino, tilting the balance towards the Greeks. Not only did ordinary Americans cheer the European aggression at Navarino, but Secretary of State John Quincy Adams also considered the Greek revolt as part of an eternal struggle between Christendom and Muslims whose religion is “fanatic and fraudulent” which embraces a “doctrine of violence and lust”. Bernard Lewis echoed these perceptions to his neoconservative clients of the Bush administration almost literally.

The Americans negotiated with a weakened Sultan, the Treaty of Navigation and Commerce on May 7, 1830 in which the USA secured extraterritorial rights – capitulations in the Ottoman Empire. Thus, the missionaries and American merchants enjoyed American protection even within the territories of the Ottoman Empire. David Porter became the first American chargé d'affaires in Istanbul and then also the first ambassador. The treaty was negotiated by the commander of the U.S. Navy Mediterranean squadron. By 1830 the American Mediterranean naval force equaled and to some even surpassed the British navy.

## *A New Start*

The year 1840 may be considered as a landmark when Britain decided to drive Ibrahim Pasha from Syria, Palestine included. They saw in Mohammad Ali a threat to their designs in the area as he was aspiring to create an Arabic speaking Muslim Empire. He became a military and economic force beyond the limits accepted by the European powers. Also, an Arab Muslim Empire might threaten the integrity of the Ottoman Empire that they wanted to preserve until the day balance of power allowed Britain to grab the territories it desired for itself in the area. The British, with some help from the Sultan's Ottoman troops, drove Ibrahim Pasha from Syria and stability was restored. The Ottomans who regained sovereignty again over Syria, including Palestine, maintained the equal rights for non-Muslims, allowed foreigners to reside in Jerusalem and recognized Protestantism as another religion (millet). Now the missionaries had their day. The Missionaries, who deserted Beirut, came back and they re-established their schools. Eli Smith began an Arabic translation of the Bible. He brought a printing press and he started producing about 50,000 volumes per year.

Emboldened, the missionaries after their return continued to call Islam fraudulent as well as describing all forms of Eastern Christianity as decadent and outmoded. The local churchmen, especially the Maronites, were unhappy with the return of the

missionaries and their new found boldness. The Maronites' Patriarch petitioned the Sultan in 1841 to banish the evangelicals from the empire, and to issue them an expulsion order. The Sultan turned to the American ambassador for his comments. The ambassador asked the missionaries not to provoke the Maronites or Muslims otherwise they were doing so "at their own risk". The American Board for Foreign Missions was infuriated and intervened in Washington. The Secretary of State Webster reversed Porter's decision and instructed him to "omit no occasion ... to extend all proper succor" to the missionaries. The American missionaries challenge to Ambassador Porter was the beginning of a lasting alliance between Church leaders and decision makers in the USA. This was mostly due to America's embrace of expansionism that was marketed as Manifest destiny in the USA and now in the Middle East. Politicians used God for ungodly purposes, especially in the decade of the 1840s.

The U.S. ruling and money classes decided to invade the rest of North America beyond the 26 states that existed by then. Their Manifest Destiny ideology laid claim to a God-given right to conquer the rest of their Promised Land, which was America. As such they invaded the territories to the South and West until they expanded from coast to coast. This ideology gave America a self-given divine right to disseminate both its secular and religious

principles all over the world. Missionary Eli Smith said that the U.S. was a powerful nation and it was time for the Muslims to feel this. The missionaries now started not only to call on Washington for diplomatic help, they even started calling on the U.S. Mediterranean warships to protect them or show force when they felt it was needed. The USS Independence toured Egyptian and Syrian ports and it was ordered to, "...inquire into the safety and prosperity of the Missions ... and to extend to them such assistance as they may require"<sup>7</sup>

Also in 1840, Cyrus Hamlin landed in Istanbul. He obtained permission to open a school at Bebek near Istanbul. The Armenian patriarch protested when some Armenian children attended the school. Instead, the missionaries influence increased as they established for Sultan Abdul Majid, a school for the Ottoman military cadets, modeled after similar American schools.

Joseph Smith, the founder of the Mormon religion dispatched Orson Hyde as his personal envoy to Jerusalem in 1841. There he prayed for God to "restore the kingdom unto Israel-raise up Jerusalem as its capital, and constitute her people a distinct nation and government."

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<sup>7</sup> American Board of Commissioners for Foreign Missions, *The Missionary Herald*, Vol. 46, Boston, Press of T. R. Marvin, 1850, 379

The restorationist ideas promoted by the early immigrants and colonial Americans became part of the American mainstream ideology after independence. It was strongly embraced by Methodists, Congregationalists, and Presbyterians.

A restorationist professor of Hebrew at New York University, George Bush, the forebear of two later American presidents carrying his name, wrote a biography of Prophet Mohammad, in which he called him a false prophet. He wrote in 1844 a book titled *The Valley of Vision; the Dry Bones of Israel Revived*. In this book, George Bush called for the creation of a Jewish state in Palestine. Such a state, George Bush said, would provide a link between humanity and God.

It was another British restorationist of those days, Lord Shaftesbury, who coined “a land without people for a people without a land”, much earlier before the Zionist movement borrowed this slogan to market its ideology.

### The Start of Jewish Colonization in Palestine

The first effort for Jewish colonization of Palestine took place in 1851 when Clorina Minor, an Episcopalian and wife of a wealthy American businessman, sailed to the Holy Land to introduce the Jews to the ‘set time’ to favor Zion. Soon after she arrived in Jaffa,

she met a British Jew, John Meshulam. Both decided to encourage the Jews and introduce them to 'the active labors of love'. They received financial backing from the Anglo-Jewish financier Baron Moses Montefiore and some American donors, and they bought a piece of land in the village of Artas, near Bethlehem and established an Agricultural School for Jews. After two years of failing to find Jews interested in agriculture, the project was abandoned, but Minor did not give up. She moved to a new orange groves farm near Jaffa, again paid for by Montefiore and she called it Mount Hope. Again the project failed and Minor died in 1855. The project was taken over by Warder Cresson who was residing in Palestine. Cresson abandoned Christianity and became a Jew. He gave himself a Hebrew name, Michael Boaz Israel. With his farming and colonizing project failing, he left Palestine and returned to his family in the United States. Next to Mount Hope, another American named Dickson founded another colony for the Jews, the American Agricultural Mission. Palestinians living nearby this project exhibited their hostility so Dickson sought help from the U.S. Navy squadron in the Mediterranean. The Navy responded positively and they supplied Dickson with arms. Thus, the first American arms supply to a Jewish colonial project was recorded.

While Americans in those days were exercising their Manifest Destiny which they tailored to sanction their genocide against native Americans and to wage expansive and aggressive wars on

others, and while one sixth of the American population were slaves with no human rights and were treated as animals in their plantations, Americans still braved to talk about liberty and freedom and saving souls, forgetting their famous saying that charity starts at home! Such duplicity and hypocrisy became an inseparable characteristic of Americans, and they ‘never leave home without it’. Those visitors came from different professions and backgrounds, and just as the missionaries they aspired for a Middle East without Muslims or at least without Islam, which they almost unanimously called a false religion. Sara Haight called for an international “political crusade”, may be not much unlike George W. Bush’s crusade a century and a half later, to humble Islam and to dismantle the Ottoman Empire. Naval Chaplain Walter Colton concluded “Islamism”, he said in 1838, “was the grave of inspired truth and liberty.” He added, “The scepter and the crescent altar and throne, will sink together.” James Cooley thought that, “Muslims must adopt a more enlightened and consistent faith” so that they may join the “civilized nations”. An artist, William H. Bartlett wrote after his visit to Cairo in 1849: “Egypt fallen and decrepit, bowed under oppression and a false religion with America, daily raising in power, a land of light, freedom, enterprise and Christianity.”

But the missionaries learned the hard way that it was not possible to convert Muslims to Christianity. Their efforts in thirty years did not produce but a shady three converts from Islam! The next best thing they decided was to change the Muslim values and Americanize them, so they can remain Muslims only in name. After all, the missionaries considered Eastern Christians as Christians in name as well. This required missionaries to embark on a new grassroots cultural invasion starting from kindergarten to university to change these values. Maybe in a generation or two they would see the results. They did!

So the Middle East in general witnessed a cultural invasion by the missionaries not only from America, but from Britain, France, Russia and Prussia. The Americans though were second to none in human and financial resources.

### *The New Target: Secularism Through Nationalism*

The missionaries knew Arab history very well. They learned that Arabs, even before the Christian era, penetrated Syria and Iraq and formed dynasties in these territories. They formed the Arab kingdoms of Palmyra and Hira in the third century A.D. The cultural impact of the Arabs before Islam was minimal, as the old civilizations remained unchanged: Greco-Armenian in Syria, Sassanian in Iraq, and Greco-Coptic in Egypt.

As Muslims, the Arabs now empowered by the impetus of Islam and the power of their faith spread in every direction. Within a hundred years from the death of Prophet Muhammad, they reached the borders of China on the east, and northward they advanced into Anatolia near Constantinople. Eastward they occupied all of North Africa, crossed the Gibraltar into Spain and crossed the Pyrenees into France and reached not far from Paris. But unlike the Arabs before Islam, the old civilizations gave way to the new Muslim Arab civilization, and Arabic language became the language of countries between Persia and Morocco which became known as the Arab World. The Muslim world was made of the Arab world as well as the Muslim countries which did not embrace Arabic as its mother tongue. As Muslim Arabs moved into countries, two processes interacted and worked simultaneously: the Islamization process and the Arabization process. The Islamization process dominated, and the Arabization process worked at varying degrees in different territories. One of these places that Arabization did not penetrate strongly enough was with the Ottoman Turks, who adopted Islam and kept Arabic as a language of Koran and religious teaching and not the language of the state.

The missionaries came to the Middle East with two objectives: the first was to convert Muslims primarily and the 'corrupted' Eastern Christians, as they were called by the missionaries. The

second objective was to dismantle the Core Muslim state of the times, the Ottoman Empire. They wanted to see a secular Middle East abandoning the bond of Islam in public life and governance which is what makes Islam unique. The conversion of Muslims proved an impossible task. Author Henry Field thought that “Christian Missions make no more impression on Islam than the winds of the desert upon the cliffs of Mount Sinai”. Statistics proved Field to be correct. In forty years of hard work that on occasion proved fatal, an average of less than one convert per year was recorded, costing a prohibitive \$ 16,000 per convert. If they could not convert Muslims, then they would settle for diverting Muslims from practicing their Islam in life as expressed in Islamic doctrines within an Islamic state. The word ‘secularism’ became the catch word, and the separation of Islam from the matters of state became the main objective. Briefly, the missionaries wanted to separate the Arabization process from the Islamization process as the route to destroy the Muslim Caliphate as embodied in the Ottoman Muslim state. The vehicle to achieve this objective was the creation of an Arab national movement. This meant the destruction of the Ottoman Caliphate State that, even imperfectly, represented the temporal and spiritual Islamic bond. That mission was achieved when the Young Turks destroyed the Ottoman Muslim Caliphate, and secularism became indeed the catch word in every constitution of the newly created Arab states and mini-states that were created by the West after the defeat of the Ottoman Caliphate. The glue

that kept the Arabs together was Islam, and disconnecting the bond between Arabization and Islamization would destroy the cohesive bond between the fractions of the territories of the Arab world. Today's status quo is a living proof.

Through their schools, they promoted Western secular ideology. They used nationalism as the vehicle to get them to their objectives and their instruments were their schools and colleges. The one institution that stood head and shoulder above the rest was the American Protestant College, renamed later as the American University of Beirut. About the same time, a similar institution was founded in Anatolia by Cyrus Hamlin who established the Roberts College.

Missionary Daniel Bliss arrived in Beirut in 1855 at the age of 37. He originally was to establish a mission in Mount Lebanon, but had to the abandon it in 1860 due to the fighting between the Maronites and Druze. Back in Beirut, and after consulting with the local missionary elders, on the first day of 1862, he requested permission from the American Board to open a college to instill the spirit of nationalism in the missionaries' school studies. Arabic should be the language of instruction and the college was named the American Protestant College. Bliss advised the American Board that since the missionaries were not able to import their religion to

the area, they should settle for instilling American secularism and values instead. Secularism through nationalism will awaken the sleeping racial or even the tribal issues amongst the various ethnic groups of the Ottoman Empire, resulting in the realization of the second goal of the missionaries, dismantling the core Muslim state, the Ottoman Empire. The American Protestant College, which later on in 1920 changed its name to be the American University of Beirut, became truly the cradle of Arab Nationalism and most of the leadership of Arab Nationalist movements were graduates of that university in both the 19<sup>th</sup> and 20<sup>th</sup> centuries. Satisfied with the achievements of the American Protestant College, the evangelists established in 1919 the American University of Cairo to follow the footsteps of the older university and spread its mission. Even though in a span of 10 years between 1885 and 1895 the budget for missionary institutions increased seven times with over 400 schools and enrollments of over 20,000 students, and with missionary presses rolling out some four million text books, the progress of nationalism, however, was very slow throughout the 19<sup>th</sup> century. Oren wrote:

Arab Muslims, however, having long rejected the missionaries religious teachings, felt little affection for secular Western ideas. They already possessed a nation- the Islamic nation (Ummah), as embodied by the Ottoman State.... Rather than secede from the empire, they preferred to attain additional

rights within it and achieve unity not through an alien philosophy but by returning to native Islam<sup>8</sup>.

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<sup>8</sup> Oren, *Power, Faith and Fantasy*,

## *Chapter 2*

### *FROM TRADE CRUSADES TO POLITICAL CRUSADES*

“While the British managed to spark an Arab revolt against Turkey and to rally many nationalists to its cause, the rebellion was in fact spurred less by Arabism than by the desire to revive a purified Arab Caliphate independent from the Westernized Turks. The uprisings leader Sharif Husayn...believed that the Arabs could unify only under Islam, and not beneath some racial or cultural banner.”<sup>1</sup>

American exports to the Middle East in the 1880's had exceeded imports to the Middle East by fourteen times. The commercial significance of the Middle East became more important as time went by. Also, the geographic and geopolitical importance increased as American international trade and industrial power was on the rise. The United States started to assert its power militarily and economically. Using religion to advance those agendas, Joseph Strong, a Congregationalist, proclaimed that America “must take the lead in the final conflicts of Christianity for procession of the

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<sup>1</sup> Michael Oren, *Power, Faith and Fantasy*, New York, W.W. Norton & Co., 2007, 169

world”. Preachers acting as the priests of capitalism and in order to justify the American Spanish wars advocated “enlightened imperialism” in addition to the sophistry of White man’s burden and Manifest Destiny.

As the military in America is always at the service of business, America concluded at this time that whoever controls the Middle East will control the world. So it started constructing sixteen state of the art battleships that became known as the Great White Fleet assigned to the Mediterranean, becoming America’s first global naval fighting force, much before that fighting force became known as the sixth fleet. That was America at about the time Sultan Abdul-Hamid II became the Sultan of the Ottoman Muslim State.

### *Abdül-Hamid II.....a Different Agenda*

Sultan Abdul-Hamid II was the 34th sultan of the Ottoman Empire. He ruled from August 31, 1876 until he was deposed on April 27, 1909. He succeeded to the throne on August 31, 1876. When he took over in 1876, his treasury was empty. Like Egypt, the Ottoman Empire, and like the IMF today, Free trade was forced on the Ottomans and mismanagement got the empire to this condition. He had to consent to foreign control over the national debt , thus, a large portion of the empire's revenues were handed

over to the Public Debt Administration for the benefit of foreign bondholders.

Abdul -Hamid was determined not to stay the course of the weak sultans that preceded him and was determined to reunify the Ottoman state under the banner of Islam, the very opposite of what the missionaries and the West were working for, for decades. A confrontation was imminent and was in the making. The missionaries thought that their secularism through the nationalism program was only the beginning for the big event, the dissolution of the Ottoman Muslim State. By now, the missionaries had more than 100 churches in Greater Syria and over 200 institutions, and still they were not saving souls or producing converts. To their dismay, the American Consular representative to the Philippines, Alexander Russel Webb converted to Islam from Presbyterianism in 1888. He returned to his home town New York where he built America's first mosque and started America's first Muslim newspaper.

What differentiated Sultan Abdul Hamid II from other 19<sup>th</sup> century sultans was his recognition that the Young Ottomans or the Young Turks were foreign supported movements based on foreign ideology. As a pious man, but also as a strategist, he believed in a native ideology of Islam on which the Ottoman Empire zenith was accomplished. As of 1517, the Ottoman Sultans were also Caliphs, so he emphasized the role of the empire as the core state of Islam

and the venue of the Muslim Caliphate. He viewed the Powers assault on his empire as an assault on Islam. He curtailed the privileges of foreigners which he considered as targeting the integrity of the state, and he sent emissaries to distant places urging Islamic unity under the Caliphate. He was everything the missionaries and the West wanted him not to be, especially on the issues of Islam and Palestine. He refused an offer from Theodor Herzl to pay most of the Ottoman debt in exchange for a charter allowing the Jews to colonize Palestine. He answered Herzl:

...to have the scalpel cut my body is less painful than to witness Palestine being detached from the Khilafah state and this is not going to happen ...let the Jews keep their millions and once the Khilafah is torn apart one day, then they can take Palestine without a price.<sup>2</sup>

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<sup>2</sup> Encyclopedia Wikipedia, Abdul Hamid II,  
[http://en.wikipedia.org/wiki/Abdul\\_Hamid\\_II](http://en.wikipedia.org/wiki/Abdul_Hamid_II).

*Christian Zionism Getting More Aggressive than Jewish  
Zionism*

The decade of the 1880s was also marked by the massive immigration of Eastern European Jews who immigrated to the United States, their New Promised land which they called in Yiddish 'de golden medine', the land paved with gold. Very few of them however, immigrated to the old Promised Land, Palestine. Rich Americans funded the construction of new infrastructure and neighborhoods for those immigrants in Palestine. Nathan Straus the co-owner of the famous department store Macy's bought a large tract of land near Jaffa on which a city, Netanya, adopting his name, was built at a later date. The bulk of American Jews were not only neutral about Zionism, they actually opposed it. In 1885 the Union of Reformed Congregations stipulated that, "We consider ourselves no longer a nation, but a religious community." The Jewish scholar Abram S. Isaacs reminded the Jews that Zionism is related to Christian restorationism, which advocates the conversion of Jews to Christianity. Probably the poor attendance of American Jews to the First Zionist Congress demonstrated Jewish Americans lack of interest in Zionism. Only four delegates came to attend the Congress in Basel, Switzerland out of about two hundred invited delegates. But it was the restorationists who continued to press for the Zionist cause.

T. De Witt Talmage was in the last quarter of the 19<sup>th</sup> century the equivalent of Billy Graham in the twentieth century. Talmage was given a high profile by the media and had large audiences and followers. He was the spiritual advisor of President Grover Cleveland. His pronouncements were widely circulated in the press. Talmage visited Jerusalem in 1889 and not unlike the rest of his countrymen he expressed his hatred for the Ottoman Empire which he described as “that curse of nations, that old bag of centuries.” He denounced Islam and described it as antithetical to Western Civilization. He urged Americans to lead the World to wrestle Palestine from Islam so it could be made a state for the Jews.

William Eugene Blackstone, a diehard restorationist, after his visit to Jerusalem, wrote a letter to President Benjamin Harrison and his Secretary of State on March 15, 1891. In his letter he stated that just as Europe succeeded in detaching Serbia and Bulgaria from the Ottoman Empire, the United States should do the same and help detach Palestine to give it to the Jews. Stranger than the letter was the signatories to that letter which of course included Talmage but also included ‘who is who’ in the world of business, finance, clergy and journalism, such as John D. Rockefeller, and J. P. Morgan. The American presidents, since 1881 started pressing Sultan Abdul Hamid to allow more Jewish immigration to Palestine. Restorationists and Jewish American ambassadors, such

as Oscar Straus, the brother of Macy's owner Nathan, and Solomon Hirsch, both Jewish, could not undermine the resolve of Abdul Hamid. He advised them that Palestine belongs to all Muslims and no Sultan can allow a change in its status or integrity.

For nearly a decade, since the outbreak of the 1881 Russian pogroms, Washington had been urging the Porte to open Palestine to Jewish immigration. The State Department instructed America's ambassador in Istanbul, Lew Wallace, to take the issue up personally with Sultan Abdul Hamid II. An avowed restorationist, Wallace showed no hesitation in pressing for the resettlement of Jewish refugees in Palestine. His successors, Oscar Straus and Solomon Hirsch, also pursued the matter. None of their efforts prevailed. Justifiably fearful of Zionism and any effort to disassemble their empire, the Ottomans placed increasingly draconian strictures on all Jewish immigration to Palestine into effect. The European powers, for their part, showed no inclination to intervene on the refugees' behalf or to follow America's lead on Palestine.

Missionaries became active in Armenia, an Ottoman province with substantial Christian population, and encouraged them to rebel against Istanbul. The Ottoman Empire put down the rebellion unmercifully. American diplomats denounced these measures as "inquisitorial" and "utterly repugnant to ... our Constitution", but again the massacres continued, unabated. Abram Elkus, another

Jewish lawyer from New York who replaced Morgenthau as ambassador, informed the State Department that the Turks were pursuing an “unchecked policy of extermination through starvation, exhaustion, and brutality of treatment hardly surpassed even in Turkish history”.

It was members of a few minority sects who accepted the nationalist idea for most of the 19<sup>th</sup> century. To Arab Muslims, the cry of Ibrahim al Yaziji , a Maronite turned Protestant, in his poem “Arise, O Arabs, and awake” went unheeded, and to them the Ottoman State , headed by a Muslim Khalifa, was the bastion of Islam. This all changed in 1908 when a Western backed Mason-Jewish led coup took place in Istanbul. It not only promoted Western ideas but also racial discrimination against the Arabs. A reaction was a foregone conclusion

### *Abdul-Hamid Reforms*

Abdul Hamid was left with little choice, so he thought he could befriend the German Empire. Kaiser Wilhelm II was hosted by Abdül- Hamid in Istanbul on October 21, 1889, and nine years later, on October 5, 1898. German officers were employed to reorganize the Ottoman army and German experts were brought to reorganize the Ottoman finances. Germany extended loans to

Abdul Hamid, and constructed a railroad network, including the Baghdad Railway and the Hejaz Railway.

Though cautious in dealing with the West politically, Abdul Hamid relied upon the West in his pursuit of modernization in the field of technology, as well as in the judicial and educational reform, to produce more competent civil servants to administer the Empire and to ensure progress and development. He improved public education to produce able public servants and an educated class of officials to replace the uneducated and the corrupt officials. To accomplish this, he reorganized the Mülkiye, the Empire's first center of higher civil education. Its enrollment increased twelve times since the days of his father. He expanded the war college, the Harbiye, as well as the naval and military engineering and medical schools for both civil and military purposes.

In order to limit the judicial privileges of foreigners, he launched new laws under the Ministry of Justice so that the privileges under former Capitulations agreements would be reduced or cancelled. But these new laws were rejected by the foreign missions and they insisted on keeping their extraterritorial privileges as before. A new reading public was created through introduction and enlargement of the media of newspapers, periodicals, and books, thus increasing and widening new branches of knowledge, a new reading public could widen its horizons. All of these accomplishments were realized at a time

when Abdul- Hamid's treasury was empty, and the Empire defaulted on its loan payments when he ascended to his post.

Under Abdul Hamid in 1888, Turkey was first connected by rail to Western Europe, with the arrival of the first train from Vienna to Istanbul—the forerunner of the Orient Express.

Not bad for a Sultan who inherited a bankrupt treasury! Yet American ambassadors as we will see, conspired covertly to depose Sultan Abdul Hamid, especially after his rejection of Theodore Herzl's offer.

### *America in Egypt*

The U.S. and the missionaries showed little interest in Egypt for most of the first half of the 19<sup>th</sup> Century. A chill in American Egyptian relations occurred when Egypt collaborated with the French and sent Egyptian troops to Mexico during the American civil war, a violation of Monroe's Doctrine.

When Khedive Ismael suspected the motives of the British and French, the traditional countries that assisted Egypt's military, he sent to the United States for military assistance in the form of military advisors in 1868. Such military experts were available in great numbers after the civil war. Many former American officers arrived to reorganize the Egyptian Army, about the time the Suez

Canal was inaugurated. Ismael had by then acquired over a 100 million dollars of debt, a substantial amount in those days. The Americans established the first general staff in the history of the Egyptian army, brought a press, established a library and then built an Arabic language school for officers and their families at Al Abbassiyah. By 1873, Egypt had a modern Western – style army base including a naval college, and command and control centers, a system for conveying orders, but with mounting debt lacked the economic base needed to go with it. Ismael was forced to sell Egypt's shares in the Suez Canal, and in June 1878, Europeans overseeing the Egyptian economy recommended drastic cuts that included the dismissal of the remaining American advisors and the closure of the schools they built under the pretext of budget cuts.

Within three years, the European powers declared Egypt insolvent, removed Khedive Ismael and installed Khedive Tawfik. The harsh economic measures and the open and direct influence of the British in Egyptian affairs led to a rebellion led by the most senior Egyptian officer, Colonel Ahmad Orabi. By 1882 Orabi's revolt was threatening the Khedive and of course the Suez Canal. In July, the British battleships aligned off Egypt's coast. Alexandria was bombarded. Hundreds of Egyptians were killed and the Egyptian resistance was silenced. Egypt became thereafter under British occupation. Meanwhile in 1881, the French troops crossed from Algeria and they occupied Tunisia.

At the request of the State Department, four U.S. gunboats joined the invading British Navy of Egypt. They were in Egypt's waters at Alexandria's coast during the British attack. Since the British commander was ordered to bombard but not occupy Alexandria, it was American marines who were the first ashore in the British assault in Egypt, always claiming they went to protect civilians. This may have been the first Anglo-American joint military intervention in the Muslim world.

*The Islamic & Arab policies were Working Well...but*

Since there is neither priesthood nor church in Islam, the state and the 'church' in Islam are one and the same. The West assumed that the Caliphate was a replica of the papacy.

This view of the caliphate, partly derived from a false analogy with the papacy, was altogether erroneous since it overlooked that, in Islam, church and state were closely interwoven, and the term 'caliph' synonymous in practice with that of 'ruler'. Abdul Hamid's plan was to restore the caliphate to its proper place...<sup>3</sup>

This is how historian Fromkin explained it:

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<sup>3</sup> [George Antonius, \*The Arab Awakening: The Story of the Arab National Movement\*, London, H. Hamilton, 1939, 69](#)

Scholars have been kept busy ever since explaining to western students of the Middle East that the split between temporal and spiritual authority, that in medieval Europe pitted pope against emperor, did not occur in the world of Islam. Kitchener, Wingate, Clayton, and Storrs were mistaken in believing that the Caliph could be spiritual leader only. In Islam, all of life, including government and politics, falls within the governance of the Holy Law; so that in the eyes of Sunni Moslems, such as the Ottoman Sultan and the Emir of Mecca, the dominion of the Caliph as upholder of the Holy Law is pervasive. What British Cairo did not see is that the Caliph is also a prince: a governor and a leader in battle as well as a leader in prayer.<sup>4</sup>

With all its problems, the Muslims looked at the Ottoman Muslim State to counter Western imperialism and revive Islam. Abdul-Hamid practiced the religious observances strictly in his palace and all non-Muslim practices such as drunkenness were strictly banned. He surrounded himself with Muslim scholars and listened to their counsel. He founded a college for training of Muslim missionaries and dispatched them to the most remote places. He provided generous donations to religious schools inside

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<sup>4</sup> David, Fromkin, *A Peace To End All Peace: The Fall of the Ottoman Empire and The Creation of The Modern Middle East*, New York, Henry Holt & Company, 2009, 104

and outside the Ottoman State. His policy greatly influenced the non-Turkish Muslims, particularly the Arabs who identified themselves with the new policies. He spent lavishly on Arab institutions of learning, formed one battalion from Arabs as his personal bodyguards, and appointed Arabs in prominent government positions. Arabs were appointed at the palace, and some claim that Arab influence overshadowed even that of the Turkish staff. Among such Arabs was Issat Pasha al-Abed, who served thirteen years until the fall of Abdul-Hamid in 1908. He was regarded as the most influential official in the Empire. He oversaw the construction of the Hejaz Railroad that began in the spring of 1901 and reached Madina in 1908. When Abdul Hamid was deposed, the line to Mecca was never finished, and the line was damaged by Lawrence and his bandits. After a century of meetings between Syria, Jordan and Saudi Arabia, the line was never operated.

The British Ambassador to Istanbul, wrote a year before Abdul Hamid was deposed that:

Policy which induced the Sultan to pose before 300,000,000 of Mohammedans as the Caliph and spiritual leader of his religion, and in bringing home to his subjects the fervor and energy of his religious feelings by the construction of the

Hejaz Railway which in the near future, will afford facilities to every Moslem to perform the pilgrimage to the holy places of Mecca and Medina...The effect has been that he has commanded, to an unprecedented degree, the blind obedience of his subjects, and reconciled them to a despotism more absolute than has perhaps ever been known in the whole course of history.<sup>5</sup>

This vision was Abdul Hamid's from the earliest year of his reign. He enacted this strategy with diligence, through widening contacts with various Islamic communities within or outside his State. His Islamic policy was revealed through his appointment as Grand Vezir, a Circassian and not a Turk, General Khair-ed-Din. The Sultan explained his reason behind this appointment as proclaimed in the firman, as his right as caliph to utilize the services of the most competent Muslims anywhere throughout Islam. He made it a point to appoint in high places Muslims from all races without giving preference to Turks. He displayed a solicitous interest in the Moslem communities in his former Christian territories and in countries farther afield. He settled to become the strong man of Asia instead of the sick man of Europe. "But in so doing he was to antagonize Europe and the civilized world of the West more than ever before."

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<sup>5</sup>George Antonius, *The Arab Awakening: The Story of the Arab National Movement*, London, H. Hamilton, 1939, 74

The West, including the United States and the Zionists concluded that their plans for a secular Middle East and a Jewish State in Palestine could not be achieved while Abdul Hamid was in power. Such dreams could only be attained by a 'regime change' against Abdul Hamid. The first organized meeting to depose Abdul Hamid took place a short time after he refused Herzl's offer to trade his debt for a charter for Palestine

The CUP (Committee of Union and Progress) members continued to hide their anti-Islamic agenda, but enough actions exposed them for what they were. They were severely denounced by the [Ulema](#), who accused them of *"trying to change Islam into another form and create a new religion while calling it Islam"*. A spontaneous counter-revolution sparked against the CUP in 1909 as soldiers and young officers were joined with masses of Muslims from the Society of Mohammad. The CUP officers used cannons for hours against the poorly armed and civilian counter-revolutionaries. Even though there was no proof that Sultan Abdul Hamid had anything to do with, it was used to depose him, and he was replaced by his brother as a figure head until the day the CUP party dissolved the Ottoman Muslim State and replaced it with a secular republic. "The life of the Sultan was spared. He was conveyed late at night to the railway station...and thence to

Salonika, where...he was interned in the villa Allatini, the house of a Jew.”<sup>6</sup>

*The Role of the United States in Deposing Sultan Abdul Hamid*

In his book *A Peace to End All Peace*, Boston University history professor David Fromkin wrote this account of the roots of the Committee of Union and Progress (CUP) whose members, along with other affiliated secret sister organizations, were known as the Young Turks. Fromkin wrote:

They (the CUP) were viewed with sympathy by the Foreign Office in London, but were disliked and disdained in the British embassy in Constantinople. The ambassador, Sir Gerard Lowther, seems to have fallen completely under the influence of Gerald FitzMaurice, his First Dragoman, or official interpreter and adviser on oriental affairs ...FitzMaurice's interpretation of the events of 1908 was colored by the fact that they had occurred in Salonika, about half of whose 130.000 inhabitants were either Jews or Dunmehs (members of a Jewish sect that had converted to Islam in the seventeenth century). Salonika was also a city in which there were Freemason lodges. Emmanuel Carasso (or

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<sup>6</sup> [Baron Patrick Balfour Kinross](#), *The Ottoman Centuries: The Rise and Fall of the Turkish Empire*, Cape, 1977, 578

Karasu), a Jewish lawyer, had founded an Italian Freemason lodge in which he apparently allowed Talaat's secret society to meet when it was in hiding from the Sultan's secret police. FitzMaurice concluded that the CUP was a Latin – influenced international Jewish Freemason conspiracy; and Lowther duly reported this to the Foreign Office in London. Lowther referred to the CUP as “the Jew Committee of Union and Progress .....FitzMaurice later conducted an investigation of the CUP, the results of which were reflected in a confidential report sent by Lowther under his own name on 29 May 1910, to the official head of the Foreign Office, Sir Charles Hardinge. In his report, Lowther pointed out that “Liberté , égalité, fraternité” (liberty, equality, fraternity), words drawn from the French Revolution, were both the slogan of the Italian Freemasons (hence Karasu's lodge) and of the Young Turks movement. The Young Turks, he claimed, were ‘imitating the French Revolution and its godless and leveling methods’.... In his detailed report of more than 5000 words, Lowther alleged that Jews had taken over a Freemason network ....and through it had taken control of the Ottoman Empire. Amongst the ringleaders of the Jewish Freemason conspiracy, according to Lowther, was the U.S. ambassador to Turkey, Oscar Straus (who was a Jew), whose brothers owned

the New York department stores Macy's and Abraham & Straus.<sup>7</sup>

It is worth noting that the United States appointed Jews for consular and ambassadorial positions in the Ottoman State for most of the 19<sup>th</sup> century as well as the last days of the Ottoman state. Ambassadors that followed Straus in Istanbul in the 20<sup>th</sup> century were also Jewish, including Henry Morgenthau and Abram Elkus.

What the British ambassador to Istanbul called 'the Jewish Masonry conspiracy' in which he claimed that the Jews controlled the Ottoman empire through a network of Masonry Lodges and secret societies, resulted in the creation of the CUP and the Young Turks but also the Young Arabs, and many of its leadership members were Masons or Mason controlled. The first secret society organized in the Arab World was traced back to 1875, to five young men, all graduates of the American Protestant College, later renamed the American University of Beirut. They were all Christians.

It was Freemasonry and the WASPs, both strongly connected to Zionist agendas that ignited and led the French and American Revolutions and it was those same forces that ignited and led the

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<sup>7</sup> David, Fromkin, *A Peace To End All Peace: The Fall of the Ottoman Empire and The Creation of The Modern Middle East*, New York, Henry Holt & Company, 2009, 41

disintegration of the Ottoman Muslim Khilapha state. The United States used its 'soft power' from independence to the advent of the twentieth century except for occasional wars in North Africa and projection of naval and political power to protect the missionary program.

We have seen how the Ottoman Empire, as one overarching Islamic state, had its own socioeconomic vision. The Islamic model differs from capitalism in that it discourages excessive accumulation of wealth, and from socialism in that it recognizes individual rights to property and ownership. Societal harmony is therefore to be ensured through a sense of shared responsibility. For this reason, in Muslims' eyes, it is capitalism and Islam that are really in opposition, not Islam and Christianity.

Muslims concede that governmental practice under Ottoman rule was less than perfect. The rulers in particular were unable to develop management systems capable of enforcing their Islamic vision. But it would have been far, far better to reform an Islamic ethos from within rather than destroy it and replace it with something totally alien – which is what happened at the end of World War I.

## *Dismembering the Arab World*

When the architects of the secret Sykes–Picot Agreement between Britain and France, which was intended to carve up the Ottoman Empire after World War I, charted the new states of the Middle East, one of the most shameful chapters of regional history began. These two Western powers, with tacit approval of the United States, initially created a new geography of small, dependent states, without regard for any balance between their populations and available resources, and with an eye to controlling from without the prime economic resource of the region. The partition of the Arab world into mini-states and quasi-states ensured that states with oil resources were assigned to areas of sparse populations to ensure their dependence on the colonial powers, while states with dense populations were assigned to areas of scarce resources. In essence, they destroyed the future of that generation and cast a long, cold shadow over the future of generations to come.

The three Ottoman provinces of Mosul, Baghdad, and Basra became one country, present-day Iraq. Kuwait, previously part of Basra province, became a British protectorate and a separate entity. Iraq was left with no deep water on its Gulf coast and a very small coastline, as a way of controlling its future oil shipments. The areas between Iraq, Saudi Arabia, and Kuwait were kept in what the British called neutral zones. Trade routes in and out of the Gulf were divided in such a way that no one country had good access –

except, of course, the occupying British and French – a recipe for future conflicts among neighbors.

Qatar's borders were drawn up in such a way that it had no land access except to Saudi Arabia, but not the Trucial Coast. The tip of the Strait of Hormuz was given to Oman, with no land connection to the Omani mainland, while Saudi Arabia was given a small stretch on the Gulf coast, enough to allow (and disrupt when needed) future oil shipments; and the southern part of the Saudi Arabian peninsula was separated from the sea by Aden, a British protectorate. The eastern tip of the Gulf of Aden, which controls the Red Sea, was split between Aden and Yemen; the western side, by three other different entities. The tip of the Gulf of Aqaba was split among four countries: Jordan, with its sole sea outlet a stretch a few miles long, Saudi Arabia, Egypt, and Palestine (now Israel's Eilat).

Immediately south of the Syrian coastal strip, Lebanon was designed to become a Christian Maronite state. And to the south of Lebanon Palestine was promised as a Jewish homeland. Thus, the most of the eastern Mediterranean coast was isolated from the heartland of greater Syria and Iraq. The new, artificial arrangement also prevented any land link between the Asiatic Muslim Middle East and Muslim Arab North Africa.

*America Financing the Jewish Project in Palestine*

Allenby's army carried with it a Jewish army, led by Jabotinsky, and a Jewish shadow government called the Jewish Commission headed by Chaim Weizmann. Jabotinsky's recruits came from the United States and most of the financing of the Jewish Commission came also from the United States.

The establishment of the commission, long before the British government had decided to remain in Palestine, long before it received the League of Nations Mandate to rule the country, and despite the objections of the army men in the field, was once again a reflection of the presumed power of Zionism...in London.<sup>8</sup>

Weizmann asked the American Zionists to raise a million dollars for the Commission's finances. During the three and a half years after settling in Jerusalem, the Commission spent 4 million dollars. The commission moved from direct hand outs to poor Jews to job creation projects. Weizmann wanted to use the donations, especially for the ultra orthodox Jews, to attract them to the Zionist project which they did not support, and to change their teaching from Yiddish to Hebrew. He wanted to create a national language without which a state cannot be created. Establishing a university in Jerusalem to revive Hebrew and Jewish nationalism was decided in

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<sup>8</sup> [Tom Segev](#), [Haim Watzman](#), *One Palestine, Complete: Jews and Arabs Under the British Mandate*, New York, Henry Holt, 2001, 65

the first Zionist congress of 1897. A plot of land was bought by the Jewish Commission at Mount Scopus and Weizmann set 24<sup>th</sup> of July, 1918 as a date for laying cornerstones of the university in a big ceremony. Allenby objected at first, saying the war was not yet over and politically the time was not right. Weizmann over-ruled him by going above his head to Balfour in London. Twelve stones representing the twelve tribes of Israel were laid, and a thirteenth, representing the Zionist movement was laid by Weizmann. About six thousand guests gathered at the site. Allenby brought Weizmann with him in his Rolls-Royce. Balfour cabled his congratulations!

In the peace conference, it was suggested that a commission be formed to consult about who the Palestinians wanted as the Mandatory power to rule their country. Palestinian Muslims made up about 90 percent of the population at this time. A commission was formed which became known as the King Crane Commission, headed by Henry Churchill King, the president of Oberlin College in Ohio, who was a church and missionary activist and the leader of the YMCA, and Charles Crane, an industrialist and businessman from Chicago and a friend of President Wilson. The Commission concluded that the great majority of the people of Palestine wanted American rule and made the recommendation accordingly. Wilson never saw the report. He became ill and somehow the report was

filed away. People knew of it only when an American newspaper revealed the report's content as a journalistic scoop.

In the United States, Zionist power was becoming a force to be reckoned with. They launched an effective propaganda campaign equating those opposing the Zionist project with the anti-Semitic at a time when Americans were sympathetic to the Jewish plight in Europe during the war. For the 1930's and the early years of the 1940's, Roosevelt expressed no forthright commitment to a Jewish statehood in Palestine, irrespective of the Jewish clout in the United States. In 1943, Roosevelt assured King Abdul Aziz Al Saud that the Arabs and the Jews would be consulted before the powers decided the fate of Palestine. Even when Congress was about to issue a joint resolution in March 1944, calling on Britain to rescind the White Paper and support a Jewish state, the White House intervened based on recommendations from several administration departments and persuaded congress to withdraw the resolution. During the second half of 1944 both American parties included pro-Zionist provisions and the Republican candidate Governor Dewey even stated that he supported the establishment of a Jewish commonwealth in Palestine. Even Roosevelt was pro-Zionist though he refrained from publicly advertising his Zionism. "Yet, At Yalta, in February 1945, Roosevelt, in conversation with Joseph Stalin, described himself as a 'Zionist' to which the Soviet dictator

rejoined 'me too.' But then added that Jews were 'middlemen, profiteers, and parasites'.<sup>9</sup>

After Roosevelt's sudden death Harry Truman was appointed to the presidency. "Truman had pointedly declined to support his party's pro-Zionist platform. And he reportedly told his cabinet in July 1944 that he had 'no use for them (the Jews) and didn't care what happened to them. But in August 1945, in Potsdam, he supported the resettling of the displaced Jews in Palestine.

On November 13, 1945 the Anglo-American Committee (AAC) was formed. The British requested that the resettling of 100 000 displaced Jews be omitted from the committee's terms of reference, but the Americans refused. Bevin publically stated that he hoped the committee would propose to relieve Britain of the Mandate and place it with international trusteeship, after which an independent Arab-Majority state would be established. The AAC recommended that 100 000 Jewish immigrants be allowed into Palestine. As a result, the U.S. Information Center in Beirut was stormed and set on fire. In Baghdad, the press called for a Jihad to

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<sup>9</sup> Benny Morris, *1948: A History of the First Arab-Israeli War*, New Haven, Yale University Press, 2008, 24

save the Holy Land. The Jewish Agency did not accept the AAC's plan except for the part allowing Jewish immigration.

In a last effort attempt to find a compromise, and after discussing the AAC's commission report with the Americans, Britain came up with a Provisional Authority plan or what was also called the Morrison-Grady Plan. The plan left defense, foreign affairs and economics with Britain, Jews and Arabs were offered local autonomy. The plan approved the immediate transfer of 100 000 immigrants to Palestine, and promised the eventual independence of Palestine. Truman formally rejected the plan after it was rejected by the Zionists.

On 27 January, 1947, Britain called for a conference in London. The Arab representative arrived, the Zionist did not. The United States followed suit and refused to send a representative. Britain's politics reached a dead end and the British cabinet decided on February 14, 1947 to send the whole problem to the United Nations.

For this reason, the British government decided in February 1947 to hand over the Mandate to the United Nations which formed a commission to study the issue. The commission decided to recommend to the General Assembly the partition of Palestine.

This decision prompted a worldwide campaign involving pressure, threats, promises, and bribes. The Jewish Agency

budgeted a million dollars for its own campaign of bribery; in official parlance the money was allocated to “irregular political activity.”<sup>10</sup>

The resolution was passed by a vote of thirty-three to thirteen with ten abstentions including Britain. Even though the Jewish state area was twice as big as what the British suggested before World War Two, the number of Arab inhabitants in the Jewish state exceeded half a million, which was larger than the Jewish population! The Jews had a well trained and established army and the Palestinians were ill-equipped and ill-trained, as more than six thousand Palestinian rebels and political activists were killed during their revolt. The leadership was fractured and organizationally dismantled, many were in jail or exiled and the Palestinian community had meager financial resources and limited military training and ammunition.

By contrast, the Zionist community in Palestine had access to the deep pockets of Jews around the world, foremost among them, the Jews of the United States. Since 1945 Ben Gurion had secretly recruited eighteen Jewish millionaires, to help provide the Haganah’s needs in money and equipment. But as the Jewish

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<sup>10</sup> [Tom Segev](#), [Haim Watzman](#), *One Palestine, Complete: Jews and Arabs Under the British Mandate*, New York, Henry Holt, 2001,496

Agency became certain that a partition was on the way, serious steps were taken to achieve restructuring and reorganization of the armed Jewish groups at the end of 1947. Then, the Haganah had some thirty–five thousand trained members. They were scattered in settlements. Only the Palmah, numbering 2000 were full time soldiers.

When Ben Gurion sent Golda Meyerson for fund-raising for the Haganah, his target was twenty million dollars. From January to March 1948, she raised fifty million dollars. In a second tour in May and June, another fifty million dollars was raised, which paid for the Czech arms deal that played a vital role in tipping the war in favor of the Haganah in the 1948 war.

Ever since its creation, Israel’s lifeline has come from the United States.

As of 2005, direct U.S. economic and military assistance to Israel amounted to nearly \$ 154 billion dollars (in 2005 dollars), the bulk of it comprising direct grants rather than loans.... The actual total is significantly higher, because direct U.S. aid is given under unusually favorable terms and the United States provides Israel with other forms of material assistance that are not included in the foreign assistance budget.<sup>11</sup>

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<sup>11</sup> [John J. Mearsheimer, Stephen M. Walt](#), *The Israel Lobby and U.S. Foreign Policy*, New York, Farrar, Straus and Giroux, 2007, 24

Ironically, that is about a 100 000 U.S. dollars for every Israeli family of four, at a time when forty-five million Americans are classified as poor by the official United States Bureau of Statistics in Washington. This is contrary to the English idiom “charity begins at home”.

## *CHAPTER 3*

### *CONTROLLING MUSLIM OIL FOR A SONG!*

#### *Enter America*

The end of the Ottoman Empire heralded the end of another and larger empire – Britain's. America had never been happy with what its oil companies collectively regarded as the restrictive practices of the Turkish Petroleum Company, and were constantly demanding a bite of the cherry. The end of World War I gave them that opportunity.

In April 1920, representatives from Britain and France met at San Remo on the Italian Riviera. There, they decided that France should take over Deutsche Bank's share in the Turkish Petroleum Company as reparation for war damages and also as the price for giving up Mosul. (Under the original Sykes–Picot Agreement, Mosul was to have been part of France's sphere of influence.)

No sooner did news of this meeting reach the headquarters of the American oil companies than they began pressing the U.S. State Department to reject the outcome of the San Remo meeting. The British government was initially pressured to allow Standard Oil of New Jersey prospecting rights in the former Ottoman territories. America persisted until 1927, when the British and French conceded.

The result was that the Turkish Petroleum Company folded and a new company – the Iraq Petroleum Company (IPC) – was formed to replace it. The shares were divided equally – 23.75 percent each to Anglo-Persian, Shell, the French, and the Americans. The remaining 5 percent went to Calouste Gulbenkian, an Armenian broker who had helped put the deal together.<sup>7</sup> IPC's first oil well opened in October 1927 near the city of Kirkuk and flowed at the then unprecedented rate of 95,000 barrels a day. At last, the U.S. had its foot in the door that opened onto the enticing vista of Middle Eastern oil.

It didn't stop there. The second American encounter with British interests came in Bahrain. Members of the IPC consortium agreed to dominate the Middle East in what became known as the Red Line Agreement, which covered almost all the Middle East except Kuwait. However, this agreement did not include Standard Oil of California, another major American oil company, which was not part of the IPC and could, in theory, carry out its own explorations. In 1929, the company sent Fred Alexander Davies to Bahrain to assess the prospects of oil out there and at Hasa on the Arabian Peninsula.

The company struck a potentially lucrative deal with Ibn Saud over the heads of the British. It is ironic that the company was greatly helped by a former British diplomat, Harry St. John Philby,

who had become a close advisor and confidant to the Saudi ruler. (Philby, a colorful character, was the father of the British double agent Kim Philby.)

In May 1932, the California company struck oil at Bahrain at 2,000 feet, which reinforced the belief that the Damman Dome sedimentary formation started in the Caucasus in southern Russia, and extended all the way to the Arabian Peninsula. The geologist Karl S. Twitchell, who had been working for Ibn Saud for some years, had already reported encouraging findings from his surveys of the formations, and was retained as consultant by Standard Oil.

The deal looked highly attractive to Ibn Saud: his new country at the time was among the poorest in the world, with no infrastructure to speak of. Philby handled the negotiations and managed to improve the Americans' offer by alerting Anglo-Persian of the impending deal between Saudi Arabia and Standard Oil. The final terms brokered by Philby included an advance payment of £5,000 in gold; payment to Ibn Saud for leasing the required land needed for exploration and the oil production; 30 percent of all profits from any finds; and an advance against those profits of £100,000, to be paid in gold. The Americans promptly retained him on a lucrative consultancy.

A new company, the Californian Arabian Standard Oil Company, was formed (this later became the Arab American Oil Company – Aramco). Davies was appointed president. The

Damman Dome did not disappoint and the first oil from Saudi Arabia was pumped to the U.S. tanker SS *Schofield* in May 1938.

### *The Reins Change Hands*

The next challenge to British supremacy came in Kuwait from America's Gulf Oil Company. As with the other Gulf sheikdoms under British 'protection', the British government included in all agreements with them a 'nationality clause', which excluded from oil concessions any company that was not British or appointed by the British government. Such a pledge had been secured from the ruler of Kuwait in 1913. However, Gulf Oil had already acquired a concession for prospecting in Kuwait, and under pressure from the U.S. State Department, the British government put aside its nationality clause and a bidding war for Kuwaiti oil flared up between Anglo-Persian and Gulf Oil. Andrew Mellon, whose family owned majority shares in Gulf Oil, was appointed U.S. ambassador to London and, to stop the bidding process, reached an understanding with Anglo-Persian.

The companies jointly approached the ruler of Kuwait as the Kuwait Oil Company, and signed an agreement with the protectorate in December 1934. The new company struck oil at Burgan field – then the world's biggest – several years later.

These were crucial times for U.S. ambitions. In Britain, the British geopolitician Peter J. Taylor asserts that “the geopolitical order that preceded the Cold War has been termed the World Order of the British Succession”. Both Nazi Germany and the U.S. were involved in the struggle for world hegemony to succeed the geopolitical order of *Pax Britannica*. Taylor thus interprets “the two world wars as contests for the British succession between Germany and the USA.” At the end of World War II, the British Empire gave way to the American.

The minutes of the secret, closed meetings that were held between the U.S. State Department and the U.S. Council on Foreign Relations, beginning in 1939, explicitly detail the role of the U.S. as successor to Britain: “the British Empire as it existed in the past will never reappear and ... the United States may have to take its place ...” They go on to state the U.S. “must cultivate a mental view toward world settlement after this war which will enable us to impose our own terms, amounting ... to Pax Americana.”<sup>1</sup>

Isaiah Bowman, Franklin Delano Roosevelt’s chief geopolitician, defined the foreign policy objectives of the U.S. as the pursuit of global policy of American *Lebensraum* in response to Nazi Germany’s pursuit of *Lebensraum*. Bowman, in collaboration with Hamilton Fish Armstrong, even commissioned an article from the founder of British imperial geopolitics, Sir Halford Mackinder,

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<sup>1</sup> [Noam Chomsky](#), *The Essential Chomsky*, Palgrave Macmillan, 2008, 170

on the danger of a strong Soviet Union. It was published in *Foreign Affairs*, the magazine of the Council of Foreign Relations, as “The Round World and the Winning of the Peace”. Mackinder essentially argues for the transformation of the British Empire into an American dependency and the establishment of American hegemony in Europe.

A U.S. State Department memorandum of April 1944 clarified the philosophy behind this concept of Western “access to resources,” which involved “the preservation of the absolute position presently obtaining, and therefore vigilant protection of existing concessions in United States’ hands coupled with insistence upon the Open Door principle of equal opportunity for the United States companies in new areas”. In other words, equal access for American companies to world resources, but not for others, and U.S. domination of industrial production in the Western Hemisphere while U.S. holdings were diversified elsewhere. Oil, perhaps inevitably, topped the list of strategic resources and with it the fierce determination on the part of the U.S. to control Middle Eastern reserves.

### *Growth Factor*

The success of the U.S. in challenging the British in their own sphere of influence, where they had hand-picked rulers, political and intelligence networks, troops on land and a navy in the Gulf,

was indeed astounding. Not only had they secured a share of Iraqi oil, they now had half Kuwait's, all of Bahrain's and all of Ibn Saud's. Only Iranian oil remained under sole British ownership, but not for long.

For most of the first half of the twentieth century, the Americans accepted the fact that Iran was in the British sphere of influence. The British were the people Iranians loved to hate, as they saw them as the colonialists who were exploiting their oil wealth. Educated Iranians working in the oil industry were receiving much smaller salaries than their British counterparts. Anglo-Persian (which became Anglo-Iranian and then BP) registered £250 million in profits between 1945 and 1950, while the Iranian government received only £90 million, less than the taxes Anglo-Iranian then paid to the British government.

But British domination in Iran was not to last. After World War II, when a third war – the Cold War – was beginning, a trait peculiar to empires was becoming ever more evident in the U.S. According to the American historian Howard Zinn, one of the main reasons why the U.S. goes to war, the Cold War included, is expansionism. Assuming the mantle of the new imperial power, the U.S. propelled Iran to the top of its foreign policy agenda.

George McGee was selected as the man for the job. Then aged thirty-seven, the U.S. Assistant Secretary of State suggested to Britain that it increase Iran's share of royalties from its oil. The British tried to brush McGee aside, but the 1933 agreement

between Iran and Anglo-Iranian was eventually amended through a supplementary agreement in the summer of 1949, which gave larger royalties to Iran. The new share, however, while acceptable to Mohammed Reza Shah Pahlavi, Shah of Iran, and to Anglo-Iranian, did not satisfy the Iranian parliament, the *Majlis*, which called for the agreement to be cancelled and recommended that the Anglo-Iranian Oil Company be nationalized. Iran's prime minister resigned and the Shah quickly replaced him with the Army chief of staff.

While Anglo-Iranian's chief executive Sir William Fraser blamed the Americans for his company's troubles, Mohammed Mossadegh, chairman of Iran's parliamentary oil committee, captured the mood of his countrymen by repeating the calls for nationalization of Anglo-Iranian. The new prime minister came down against nationalization in a speech to parliament in March 1951 and was assassinated shortly afterwards.<sup>2</sup>

On April 28, 1951, the *Majlis* chose Mossadegh as the new prime minister, with a remit to begin the process of nationalizing Anglo-Iranian immediately. The Shah signed the law and it came

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<sup>2</sup> [Abdulhay Y. Zalloum](#), *Oil Crusades: America through Arab Eyes*, Pluto Press, 2007, 37

into effect on May 1, 1951. Anglo-Iranian was no more; in its place was the Iranian National Oil Company.

The Americans initially saw Mossadegh as a national leader. But more than that, they saw in the nationalization of Iranian oil an opportunity to break the last British stranglehold on oil in the Middle East. It was a business opportunity ripe for the taking.

Meanwhile, Britain was not about to take the Iranian nationalization lying down, and the Cabinet discussed the possibility of armed intervention. It concluded that no military action was worse than no action at all. Washington was alarmed. The U.S. State Department advised against military action as counterproductive, but rather than openly oppose Britain, Washington supported Britain's decision to oust Mossadegh in a coup, known as "Operation Ajax," jointly orchestrated by the CIA and MI6. The Shah, who had fled first to Baghdad and then to Rome, returned to Tehran.

Washington's gamble paid off: in supporting Britain, it had earned itself a place at the top table when the time came to resolve what to do about the decision to nationalize Iran's oil. The result was the creation of an Anglo-American consortium of oil companies to replace Anglo-Iranian. The consortium agreement was signed by the Shah in October 1954. American companies now owned 40 percent of the new company, while Anglo-Iranian (now BP) owned another 40 percent. Shell was given 14 percent and the French CFP

(Compagnie Française des Pétroles) 6 percent. The intention clearly was that all the oil companies operating in the Gulf would jointly control oil production from the Gulf.

It could have been awkward for the U.S.. American oil companies were facing anti-trust investigations at the time for forming an internal cartel. But the National Security Council requested that the Justice Department drop the case and the administration gave the all-clear to proceed in Iran effectively as a cartel, with the guarantee that they would not be prosecuted for anti-trust law violations.

During the crisis, Iran's newly nationalized oil was boycotted by importers. Oil exports from other Gulf countries increased to ensure that the volume of oil leaving the region remained constant. This collusion between the major oil companies in deciding global supply of oil would continue – often without the knowledge of the producing countries themselves. When President Abdul Karim Qassim issued his law nationalizing all un-explored areas of Iraq under concession, the Iraq Petroleum Company shareholders boycotted Iraq oil. Iraq lost its oil revenues, but the shareholders made up production from other concessions in the Gulf without losing any production from the Gulf in general. The tactic was used again when Iraqi and Kuwaiti crude oil was boycotted following Iraq's invasion of Kuwait in the first Gulf War.

### *Dark Victories*

By the 1950s, most of the major oilfields in the Middle East were already in production, except for Abu Dhabi (the biggest), Dubai, Qatar, and Oman. But these countries were only waiting in the wings to mark up some spectacular records in oil reserves and production.

The IPC consortium had secured a petroleum concession from Shaikh Shakhbut, the ruler of Abu Dhabi in 1939, but oil was not found until 1958, when Abu Dhabi was part of the Trucial Coast States under British protection. IPC also held the Dubai oil concession from 1937 to 1961, while CFP and Hispanoil obtained a concession in an area not covered by IPC in 1954. The Continental Oil Company acquired the IPC concession in 1963, forming the Dubai Oil Company. Oil was discovered in Dubai in 1966; its reserves are expected to run out by 2015.

Today, the United Arab Emirates is made up of seven emirates including Abu Dhabi and Dubai, and holds the fourth largest reserves in the world: its sustained capacity of 2.6 million barrels will rise to 3 million barrels by 2010. It also has 6.1 trillion cubic meters of gas, making it the fifth largest after Russia, Iran, Qatar, and Saudi Arabia.

After considerable corporate battles between American oil companies and the IPC consortium, in 1935 the Sheikh of Qatar assigned the concession to Anglo-Persian, which in turn assigned it

to a subsidiary of IPC, renamed Qatar Petroleum Company. Dukhan oilfield was discovered in 1939 and production started in 1940. A Shell Oil subsidiary obtained an offshore concession in 1952. After more offshore claims and discoveries and the independence of Abu Dhabi and Qatar, the Abu Dhabi National Oil Company (ADNOC) and the Qatar National Petroleum Company (QNPC) were established in 1971. Eventually, the Iranian model was used by all producing countries in the Gulf.

Oman's oilfields produce less than those of its neighbors, making production a much more costly business, and its reserves are modest by Middle Eastern standards – just 5 billion barrels. With the exception of Syria and Yemen, other countries of the Asiatic Middle East produce little or no oil, and Syria has little capacity to export. Yet within the past few years, Syria has signed several concessions with other countries, including the Chinese CNPC.

After World War II, major oil discoveries were made in Africa, the North Sea, and Alaska. There were then so many entrants to the world of oil production that some form of organization for regulating it became a corporate necessity, and the Organization of the Petroleum Exporting Countries (OPEC) came into being.

Through it all, American oil companies enjoyed one victory after another. From nothing, they had collectively emerged as the leading oil power of the Middle East in a mere four decades. Britain's apparently unassailable might had given way to America's, and the U.S. grew into a formidably potent force in the world. As we shall see in the following chapters, its influence was by no means benign. It was – and behaved – as shamelessly as all empires are wont to do.

### *Chasing New Horizons*

After World War II, French governments in general and Charles de Gaulle in particular initiated a policy of seeking new oil sources, at least enough for France's own consumption. As the CFP was busy with ventures in the Middle East, the government entrusted two new state oil companies to do the work. The Bureau de Recherches de Pétroles (BRP) made its first discovery in Gabon, West Africa, while Régie Autonome des Pétroles (RAP) found oil in Algeria in 1956. By 1958, the first Algerian oil shipment had been exported to France.

BRP and RAP would merge to form Elf ERAP in 1965 – destined to become one of the big players and to discover major gas reserves in France itself, but Africa proved a richer source in the 1950s. Huge reserves were found not just in Algeria and Gabon but also in Nigeria, where a Shell BP partnership discovered oil in the Niger River delta.

Algeria's near neighbor Libya promised to be another giant producer. Early indications of this were not lost on the U.S. During the war[which war], aerial surveys by the U.S. Air Force – flying out from Wheelus Air Base just east of Tripoli, one of America's biggest – suggested that further investigation and exploratory work could pay dividends. The reports were made available to American oil companies, and Libya welcomed them with open arms.

To encourage oil companies abroad, the country passed the Libyan Petroleum Law in 1955. This was more attractive than Gulf concessions, especially as it tied the government take to the market rather than the posted price. But unlike old concessions in the Gulf, it divided the country into blocks, allowing many companies to enter the bidding. By 1957, seventeen companies – many of them independent – had successfully acquired 84 concessions in Libya. Much more was to come. In April 1959, Standard Oil Company of New Jersey discovered oil at Zelten, about ninety miles from the Mediterranean coast. By 1961, ten more huge fields had been discovered, and the first shipment of Libyan oil was exported.

But however tempting, the acres of bubbling crude in Libya, was a threat hung over this future bonanza. Half the production of Libyan oil now lay in the hands of small independent oil companies which had no transportation, refining, or marketing facilities. This

meant they might dump their oil at any time, causing the global market price to crash. The major oil companies, recognizing a potential disaster when they saw one, were eager to head it off at the pass – particularly as the Soviets were just entering world oil markets, causing oversupply and depressing oil prices.

What they needed was an organization to control production in the oil-rich countries, and exercise nation-state sovereignty through which the small independent companies might be controlled. They knew this because they had been here before. In the 1930s, America's emergent oil giants had undergone a similar power struggle: they didn't have to reinvent the wheel when it came to deciding how to control the situation in Libya.

### *American Echoes*

Columbus Marion (“Dad”) Joiner was a legendary Texas oilman. In his youth, despite having just seven weeks' formal schooling, he built up a law practice and joined the state legislature. Later, he made – and lost – two fortunes in Oklahoma oil. In 1930 he was 70 but still determined. Against the judgment of all the major oil companies' geologists, Joiner decided to drill in east Texas.

On October 3, 1930 his well, Daisy Bradford No. 3, came in, spurting a column of oil and water above the derrick. The oil companies remained skeptical for months, but many independent,

smaller ventures and the inevitable risk-takers rushed to the site. As it happened, they were right: in less than six months, the area was producing 340,000 barrels per day. Called the Black Giant – it was 45 miles long and up to ten miles wide – the reservoir was the largest ever found, and by the start of June 1931 about 1,000 wells had been completed and production had reached 500,000 barrels a day.

Overproduction tilted the market drastically. The average price of crude in 1930 was \$1 a barrel. By May 1931, the price had crashed to fifteen cents, and briefly just two cents. Meanwhile, production costs averaged around eighty cents. A great imbalance between supply and demand occurred as East Texas oil controlled by the independents flooded the market. A price war was waged. The feud between major oil companies and the independents persisted and there seemed to be no end to the crisis, while production increased until it reached 1,000,000 barrels a day, in August 1931 – about half the country's daily consumption.

The Texan oil boom disrupted more than the market. Big oil companies accused the wildcatters of using their desperation to make money out of the glut to create social chaos and lawlessness. And there was little to hold the situation in check. The Texas Railroad Commission was the only agency in the state to have some

mandate on oil, but it had no real regulatory role in balancing supply with demand. Neighboring Oklahoma, however – now in the grip of its own boom – had more protection: its Corporation Commission had been entrusted in 1915 to regulate oil production to meet demand.

The oil frenzy of the early 1930s was to put Oklahoma's Commission to the test. In August 1931, as a U.S. federal judge was determining the legality of the Commission's pro-rationing power regarding oil, on the grounds that it was not the business of the state to intervene in the supply and demand of market forces, Oklahoma Governor William Murray declared martial law in the Oklahoma City and Seminole fields, and ordered the state militia to occupy and shut down all oilfields until the oil price rose to \$1 a barrel. The Governor of Texas, Ross Sterling, followed suit that same month.

Sterling was a founder and chairman of Humble Oil Company. The people of Texas, however – and unsurprisingly – championed the small independents, which would make any action against them politically unpopular. Undeterred, Sterling went ahead, declaring East Texas to be in a state of insurrection and open rebellion. He sent several thousand Texas Rangers and national guardsmen into the region, where they shut down all production within a few days. The Texas Railroad Commission began issuing pro-rationing quotas for all producers, even though it lacked a

mandate to do so. By April of the following year, the price of crude had soared to nine-eight cents a barrel.

At that point, the courts declared all pro-rationing orders to be illegal, and Sterling was compelled to pass a law through a special session of the Texas legislature. The Texas Railroad Commission was finally able to set quotas.

But state intervention alone was not enough. In May 1933, the price of crude crashed again and the posted price of the Texas Oil Company fell from seventy-five cents to just ten cents a barrel. Two factors were driving overproduction. First, the Texas Railroad Commission was setting the legal quota of oil at close to twice what it should have been. Second, illegal oil above the quota – “hot oil” – was being produced, and an estimated 500,000 barrels were being smuggled across state lines. Then, several pipelines and oil facilities were dynamited by persons unknown. With the rot well and truly setting in, Texas turned to Washington for help.

The situation was now beyond the control of state authorities. On May 5, 1933 the price of oil crashed to four cents a barrel. Harold L. Ickes, Secretary of the Interior, started to assign quotas to the producing states and sent federal investigators to East Texas to ensure that the pro-rationing orders were properly enforced, with severe punishment meted out to violators.

In 1935, federal control ended when the Supreme Court overturned the legislation allowing the government to assign quotas and regulate the oil industry. In order to regulate production quotas to the producing states, the Interstate Oil and Gas Compact Commission was formalized in 1935. Oklahoma viewed it as a cartel among producing states; Texas saw it as a treaty. To plug all excess capacities, a tariff was also enacted on imported foreign crude. Venezuela, 55 percent of whose oil was exported to the U.S., was the country most adversely affected.

### *Collusion or Regulation?*

This frenetic period of U.S. oil history offered a salutary lesson to American interests some quarter of a century later. A lack of regulations to control production, allocate quotas to producers, and rein in the independents had left their oil microcosm in chaos – and, they feared it would have the same effect in the international arena. Beyond the Libyan scenario in the 1950s, independents were also establishing themselves in the Middle East: the American Independent Oil Company and Getty Oil Company had entered the Saudi Kuwaiti neutral zone, and there was a newly acquired French AGIP concession in Iran. More, the USSR was flooding the market with cheap oil. The “mavericks” needed to be brought under control.

But there was another factor behind the big oil companies' urgency. They were now under investigation by the U.S. Justice Department for colluding to control international production and markets. A different arrangement for coordination to oil supply and demand was pressing.

In 1928, the oil giants had signed the so-called "as-is" or Achnacarry Agreement by which they agreed to end competition among themselves, cease overproduction, divide up the world markets on an "as-is" basis (hence the name), and more. The Federal Trade Commission used its power of subpoena to obtain company documents, and in due course produced the most detailed historical analysis of international relationships among the companies ever published. The report, *The International Petroleum Cartel*, is a landmark study still used by students, according to Daniel Yergin in *The Prize: The Epic Quest for Oil, Money and Power*.

The CIA, along with the U.S. Defense and State Departments, wanted to spike the report immediately on the grounds of national security, claiming information contained in it would "greatly assist Soviet propaganda" and that people in the producing countries would be unhappy with its contents, especially the fact that the oil production rates that make up their basic resource and revenues

were decided by foreign companies without their knowledge, so constituting an infringement of their sovereignty. President Truman classified the document as top secret. However, the Justice Department decided that the report implied the existence of an oil cartel dating back to 1928, and so constituted a call to legal action. According to Harvard Business School case study:

The facts [argued the Justice Department] strongly suggest that the high policy represented by the [antitrust] Sherman Act has been consciously and persistently violated by activities long since determined by the Supreme Court to be illegal. The cartel should be prosecuted criminally if there is to be equal justice under the law, and if the respect for the law and its even-handed administration is to be maintained.<sup>3</sup>

Criminal and civil cases were both filed against the American companies participating in the 1928 agreement. However, based on the recommendation of the Joint Chiefs of Staff and the National Security Council, and only a few days before the end of his presidency in January 1953, Truman requested that the Justice Department drop its criminal investigation. However, he did wish the civil antitrust case to continue. The case limped on until 1968, when the government finally “folded its tent” on it.

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<sup>3</sup> Harvard Business School case study 9-383-096 Rev. 8/83, 9

Except in the case of Libya, producing countries collect their share of production according to the posted price. They collect fifty-five cents for a barrel if the posted price is 1.10 dollars. If the oil companies reduce the prices to, say, \$1, the producing countries still receives fifty-five cents, but the oil companies' take falls to forty-five cents. Hence, with no regulation, the burden of falling prices falls on the oil companies, as the producing government's take is calculated on the posted price. This was the arrangement with the Gulf producers; Libya was the exception. So it can be argued that the creation of OPEC was of great interest to the major multinational oil companies in the West.

### *The Road to OPEC*

From the start, OPEC appeared to be a club for the Gulf oil-producing states, established in response to growing concern that they were being exploited by the big oil companies. But it should be remembered that Venezuela was one of OPEC's founding nations and a Venezuelan, Juan Pablo Pérez Alfonzo, was – along with a Czech journalist, Wanda Jablonski – a key figure in the lead-up to its creation. Both also had strong links with the U.S.

Pérez Alfonzo had studied medicine at Johns Hopkins University and law in Venezuela. Eventually, after entering politics, he became Development Minister. In November 1948, he received a

call from the American Ambassador in Caracas warning him that a coup was imminent and offering him the protection of the American embassy. The invitation smacked of a “special relationship.” In the event, Pérez Alfonzo failed to make it and was jailed during the coup. Shortly after his release, he moved to Washington.

Once there, he busied himself studying documents on the East Texas oil crisis at the Library of Congress. His ambition was to create an organization for the oil-exporting countries that would control production quotas. When Rómulo Betancourt, former President of Venezuela, toppled the regime of 1958 for a second term as head of state, he invited Pérez Alfonzo to return as Minister of Mines and Hydrocarbons. Pérez Alfonzo accepted, and retained an American in the ministry to advise him on how the model of the Texas Railroad Commission could be used to set up a similar protective organization on the international scene.

In 1959, Egypt’s capital, Cairo, was the recognized center of Middle East Arab decision-making, and the Arab Oil Congress was held there in April of that year. Pérez Alfonzo attended as an observer. On the eve of this meeting, British Petroleum cut its prices. The move was seen as a provocation by the non-Western oil-producing nations and it provided a good reason why oil-producing and exporting countries needed to create an organization such as

OPEC. The delegates were furious and demanded action from the oil-producing countries to counter similar reductions in future.

One can argue that BP normally coordinates oil prices with the other majors, and certainly knows what the outcome of its major decisions will be. The timing of the price increase just before the conference might not have been innocent and was undertaken for a purpose. Pérez Alfonzo, however, knew exactly what he wanted and how to go about making it happen.

Nor could Wanda Jablonski, also at the congress, be accused of ignorance. The daughter of a Czech geologist who worked for Socony-Vacuum Corporation (later Mobil), one of the Standard Oil Companies, knew most of the top brass in the oil business, including its Middle East manifestations. She was also editor of *Petroleum Week*.

Abdullah Tariki was one of the first U.S.-educated Saudis. He graduated in geology and chemistry from the University of Texas and then worked as a trainee geologist with Texaco. In 1955, he was appointed director-general of the newly formed Saudi Directorate of Oil and Mining Affairs. Tariki perceived that his country was being taken for a ride, and being marginalized by the American consortium represented by the Arabian American Oil Company

(Aramco), and he wanted to do something about it. Among his ideas was Saudi control of prices and production rates.

Jablonski arranged for Pérez Alfonzo to meet Tariki informally during the Cairo congress, during which the two men agreed to help convene a secret gathering of the major oil exporters at Cairo's Maadi Yacht Club. A gentleman's agreement was reached by which delegates would recommend the creation of an Oil Consultative Commission to their governments to protect oil prices and create national oil companies.

Within a few months, the new chairman of Standard Oil of New Jersey made a seven percent cut in the posted price of oil without consulting with any of the oil-producing countries. Tariki and Alfonzo responded by organizing another meeting. In September 1960, representatives from Saudi Arabia, Venezuela, Iraq, Iran, and Kuwait met in Baghdad and hammered out an agreement to form a new entity that could take on the oil companies, allowing them to manage production and prices. OPEC had been born.

One may ask at this point how Kuwait could participate in and sign the agreement at a time when it was still under direct British rule (Kuwaiti independence was declared in 1961) and its only producer was the Kuwait Oil Company, which was owned by the Gulf Oil Company and the BP. Knowing the decision-making

process in pre-independence days in Kuwait, one can safely assume that tacit agreement was secured from both Gulf and BP.

A flood of oil followed in the years after that Baghdad meeting, much of it from Libya. By 1965, Libya had become the sixth biggest oil exporter in the world, and by 1969 it was producing over three million barrels a day – exceeding Saudi Arabia’s production at the time. Middle East production as a whole shot up by thirteen million barrels a day. With the deluge came an inevitable slide in price, which persisted throughout the decade even after Libya joined OPEC in 1962. Between 1960 and 1969, prices fell by some 40 percent. Without OPEC quotas to ease the situation, the East Texas crisis might have been repeated.

Consumption was steeply on the rise, too. Excluding the communist countries, world demand increased by 21 million barrels a day in the 1960s. For the U.S. at least, the pace was crippling. The country’s spare capacity for oil production was eroding as dependence on Middle East oil rose. This “surge” capacity had always been considered a vital part of national security and had come into its own during a number of crises, including World War II and the Korean, Suez, and Six Day Wars. Yet as early as 1955, one man at least had realized it was a finite resource.

*M. King Hubert Forecast: U.S. Oil Production Will Peak in 1970*

M. King Hubert, an American geologist at Shell's Houston research center, had predicted that U.S. oil production would peak in 1970 and decline thereafter.<sup>4</sup> His forecast was very accurate: in 1971, production hit a high of 11.3 million barrels a day and has fallen steadily ever since. When the U.S. State Department announced during a 1968 OECD meeting in Paris that the U.S. would very shortly have no spare capacity, Europeans were shocked; the American oil security "cushion", on which Europe had depended during two world wars, was no longer available. Until 1963, the U.S. had had an excess capacity of about four million barrels a day. By 1968, it had less than one million barrels a day, and in 1971 it would be zero. It became imperative for the U.S. and Europe to have their own buffer supply, independent of the politically volatile Middle East and OPEC.

In an unannounced policy move, the Seven Sisters geared up for exploration and production. France and the U.S., as we have seen, were busy in Africa in the 1950s, and in the 1960s the big players moved further afield in a drive to develop non-OPEC oil. Exxon alone allocated \$700 million to the search, striking oil in southeast Australia and discovering new fields in Canada's Mackenzie River delta as well as in the North Sea and Alaska. Exxon did not pioneer the Alaska oil find, but was brought in by

Atlantic (later ARCO) because ARCO lacked the finances required for its development or sufficient muscle in Washington to overcome any opposition from environmental groups.

Even before the formation of OPEC, from the 1950s, Shell and Exxon had jointly explored in the Netherlands. In 1959 they found gas at Groningen, which gave the Dutch economy a substantial boost. But the oil companies wanted an agreement with the Netherlands and the other countries surrounding the North Sea to allow any acquired concessions in the region to be concluded on clear grounds. This was finalized in 1964 with the Continental Shelf Act, which determined the legal boundaries of the North Sea.

By 1965, BP had found natural gas off the UK coast. As Britain was experiencing balance of payments problems at the time, they wanted to attract the oil companies and offered generous terms. The first oil from the North Sea was discovered by the American independent Phillips Petroleum in December 1969. In 1970, BP discovered the Forties field north of Aberdeen, and in 1971 Exxon and Shell jointly discovered the giant Brent field off the Shetlands. Technology had proved able to conquer the harsh conditions in the North Sea, but production costs were high – significantly higher than the price of crude.

Alaska was a project on an entirely different scale. In 1967 an ARCO–Humble joint venture had struck oil on December 26 at the Prudhoe Bay State No. 1 well. Another well drilled about 6 miles from the first confirmed that the field was the biggest ever discovered in North America, and third in the world after Saudi Arabia’s Ghawar and Kuwait’s Burgan. Prudhoe could deliver up to 2 million barrels per day.

While a start date of 1972 was initially set for the project, it was weighted with a raft of problems. The Alaskan environment and weather posed serious technological challenges, as temperatures there could fall to below minus 60 degrees Fahrenheit. Transport was another issue. A pipeline was mooted, but aside from the cost, it would demand many engineering innovations. Objections from environmentalists were another hurdle that needed to be overcome.

But then BP struck oil in Alaska. ARCO, BP, Standard Oil of New Jersey (brought in by ARCO because of its financial and political muscle), and other small companies with positions in the North Slope joined forces to construct the Trans-Alaskan Pipeline. They bought all the equipment needed to start paving access roads to build the pipeline and shipped them to Alaska.

One critical issue had to be resolved before Alaska Oil could become economically feasible, however – the price of oil. While Gulf Oil geologists, basing their recommendations on technical

assessments only, urged their management to go ahead in Alaska, management declined: the production cost would be over \$5 a barrel, while the world selling price at the time was barely half that.

At this point, a singular figure on the world stage joined the cast. Henry Kissinger had spent the late 1960s advising New York Governor Nelson Rockefeller in his bid for the Republican presidential nomination. (Nelson was, of course, scion of the family that had created Standard Oil and controlled it ever since.) In 1973, Kissinger was National Security Advisor in the Nixon administration, and Secretary of State-in-waiting, and like many of the West's power elite, he regularly attended the meetings of a highly influential private body known as the Bilderberg group.

## *CHAPTER 4*

### *STEP BY STEP: FROM CONTROL TO OCCUPATION*

The Bilderberg group took its name from the hotel where the first meeting was held, at Oosterbeek in the Netherlands in May 1954. Invitees were and are all North Americans and Western Europeans, most of them top transnational corporation executives, national leaders, and leading politicians. The organization is perceived variously as a secret “world government” at one end of the spectrum, and a networkers’ club for the rich and famous at the other end. What is relatively certain is that it is a powerful tool in Western attempts to dominate the world order. The American and European economical and political heavies who attend the group’s informal conferences attempt to reach and formulate policy decisions, creating the consensus needed to formulate public agendas for future legislation and implementation. Given the collective clout of the participants, there are many avenues available to them for that purpose.

F. William Engdahl, in *A Century of War*, documents that the Bilderberg meeting of May 1973 was held on Saltsjöbaden off the coast of Sweden, at the villa of the immensely rich Wallenberg family (in 1997, they controlled the assets of corporations with

annual sales of over \$100 billion). Kissinger was there, along with top executives of the big petroleum companies, financial transnational institutions, and banks.

Among the luminaries were Robert O. Anderson, chairman of Atlantic Richfield Oil Company, and fellow magnates Sir Eric Drake of BP, Exxon vice-president E. G. Collado, and CFP's René Granier de Lilliac; bankers Baron Edmond de Rothschild, Marcus Wallenberg, and Krister Wickman; and politicians including the Swedish Prime Minister Olof Palme, the UK's Denis Healey and Helmut Schmidt, then West Germany's Finance Minister. The oilmen represented all the companies that had discovered and developed Alaskan and North Sea oil. The White House was represented by Henry Kissinger and James Akins, an energy expert.

Kissinger had already spent considerable time preparing for this meeting. In January of that year, U.S. Treasury Secretary George Shultz was appointed by Nixon as Assistant to the President for Economic Affairs. As a result Shultz, formerly a Wall Street bond trader, became chairman of the Oil Policy Committee. In February, the White House Special Energy Committee was set up, composed of Kissinger, Shultz, and John Ehrlichman. This committee did much to prepare for the Bilderberg meeting.

This was the year when tensions between the Arab world and Israel were to culminate in the October War (also known as the Arab-Israeli, Ramadan or Yom Kippur War). The Egyptian President, Anwar Sadat, had publicly stated, in 1972, that his country was committed to going to war with Israel, and he would repeat the threat in early April 1973. The “shuttle diplomacy” or mediated communication that was to follow was meticulously worked out by Kissinger. The U.S. State Department believed that Israel would have to withdraw to its 1967 borders, but Kissinger had a different plan. As he wrote in *Years of Upheaval*:

My own starting point was at the other emotional spectrum...though not practicing my religion, I could never forget that thirteen members of my family had died in Nazi concentration camps. I had no stomach for encouraging another holocaust by well-intentional policies that might get out of control.<sup>1</sup>

### *His Agenda was Also Different From the President's*

Nixon shared many of the prejudices of the uprooted California lower middle class from which he had come. He believed that Jews formed a powerful cohesive group in American society;

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<sup>1</sup> [Henry A. Kissinger](#), *Years of Upheaval*, B D D Promotional Book Company, Incorporated, 1996

that their control of the media makes them dangerous adversaries; above all, that Israel had to be forced into a peace settlement and could not be permitted to jeopardize Arab relations.

But Kissinger persisted in doing things his way. He opened negotiations with Sadat without the knowledge of the State or Defense Departments, or even the American diplomatic mission in Cairo. Kissinger had no desire to rely on the State Department's Middle East experts, whom he thought of as Arabists. He meant to bypass them all.

### *Keeping it Secret*

When Sadat expelled tens of thousands of Soviet advisors from Egypt as part of his country's move away from the USSR, Secretary of Defense Melvin Laird urged Nixon to start negotiating secretly with Sadat, unaware that the channels had been wide open for some time. Kissinger meanwhile stepped up his own Egyptian connection. On a February 1973 visit to the U.S., Sadat's envoy Hafez Ismael worked out a schedule so he could meet Kissinger covertly after his official duties ended. Following meetings with Nixon and State Department representatives, Ismael, as Kissinger wrote in *Years of Upheaval*:

...would betake himself on 25 February to New York. From there he would proceed to a secret meeting site in the suburbs – a private home hired for the purpose – where he and I would confer for two days for a full private review of Egyptian–American relations.<sup>2</sup>

Kissinger added: “Neither I, nor any member of my staff, was included in the State Department discussion, while the State Department did not even know of my secret meeting with Ismael.”

Before Ismael arrived in Washington, Nixon had written to Kissinger: “The time has come to quit pandering to Israel’s intransigent position. Our actions over the past had led them to think we will stand with them regardless of how unreasonable they are.” Yet Kissinger’s own plan was largely in line with Israel’s decision, stated in June 1967, that the Egyptian and Syrian fronts could be discussed and negotiated, but not the West Bank and Gaza, which elements in the Israeli cabinet insisted should be annexed to Israel. Since these territories had been part of Jordan before the 1967 war, Kissinger intended to exclude Jordan from his step-by-step negotiations, and planned for Sadat and other known Arab “friends” of the U.S. to remove Jordan altogether from the

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<sup>2</sup> [Henry A. Kissinger](#), *Years of Upheaval*, B D D Promotional Books Company, Incorporated, 1996

Palestinian West Bank issue, as was done in Rabat, Morocco, some time later.

On March 6, 1973, the Saudis were briefed about Kissinger's secret meeting with Ismael on a "need to know" basis, since Saudi Arabia was the leading Arab oil producer and would have a role in the coming embargo and price increase.

That month Israel's Prime Minister Golda Meir visited the U.S. She categorically disagreed with Nixon's stance, and rejected any pressure to alter Israel's intransigent position. She also told Nixon that the Arabs had no military option and that things had never been better for Israel.

On April 11, a second meeting between Ismael and Kissinger took place. After their first meeting earlier in February 1973, troops of mostly staunch American Arab allies began moving – including Saudi planes to Egypt and Moroccan troops to Syria. Knowledgeable sources agree that such decisions could never have been made without at least tacit U.S. approval. On April 20 the CIA reported that military action was imminent.

The Bilderberg meeting, held less than a month later, was a well-timed opportunity to work out the political and financial details of the oil price hike, suggested in a paper presented by

Walter Levy. Very shortly after the war that October, oil prices did shoot up, above the \$5 a barrel production cost of Alaskan oil and the \$7 a barrel production cost of North Sea oil. Production in both regions was feasible at last. What Gulf Oil management had thought would take more than a lifetime to achieve had been accomplished in a few months.

Alaska was no longer a mere pipedream. Although a U.S. federal court ruled against building the pipeline on environmental grounds, this was subsequently overturned by invoking an emergency law that took advantage of the post-embargo crisis following the October War. This invoked national security necessitating the development of oil production within U.S. territories. The oil companies were finally given the go-ahead. By 1977 the 750-mile pipeline line had been completed, and the first shipment to the port of Valdez followed soon after. In 1978, one million barrels a day were flowing through it – shortly to increase to two million a day. Meanwhile, in 1975, North Sea oil began to flow into Britain.

### *Behind the Mask*

The boost in prices following the October War had been a major windfall for all producing countries. Perhaps inevitably, many felt OPEC must have engineered it. As we have seen, OPEC

had nothing to do with it, but the real manipulators of the price hike had found a convenient public scapegoat.

Where OPEC was concerned, however, the U.S. and major oil company interests wanted to play it both ways. The organization may have had no part in the events leading up to the October War, but U.S. involvement with Saudi Arabia has heavily influenced OPEC's activities. In coordination with the U.S., it used its spare capacity in what became known as "swing power." Therefore, in essence, the U.S. controls OPEC and international oil through the swing power of Saudi Arabia, and this is considerable. Sheikh Ahmad Zaki Yamani, who succeeded Tariki as Saudi Oil Minister, said: "To ruin the other countries of OPEC, all we have to do is produce to our full capacity; to ruin the consumer countries, we only have to reduce our production."<sup>3</sup>

This is power at a price. As a student at the Saudi Petroleum College in Dhahran asked Yamani in January 1981:

The Saudi citizen who looks at his country's current oil policy finds that the country is producing more than its economy needs and is selling at prices lower than current prices, even lower than the prices received by other Gulf states. Such sacrifice is rewarded by hostile attacks and threats by the

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<sup>3</sup> [John Malcolm Blair](#), *The Control of Oil*, New York, Pantheon Books, 1976, 281

press, media and even certain high government officials in Western countries. Don't you think the time has come for us to stop sacrificing ourselves for the sake of the oil consumers?<sup>4</sup>

*The Four Phases of America's Step by Step Occupation of Muslim Oil*

After the Lower United States oil production peaked as was forecasted, which coincided with the United States inability to honor its Bretton Woods commitment regarding the conversion of the dollar to gold at will at a fixed ratio, it became an imperial imperative for the United States to secure oil reserves for maintaining its military industrial complex and global hegemony. The first step was to transform the economically unfeasible huge reserves of Alaska and North Sea into economical reserves, something that was secured through the increase of the oil price which was theatrically done through the October Yum Kippur War of 2003. It was also necessary to ensure that influx of petrodollars to the producing nations is controlled through what became known as recycling from producers to Western banks. The money never left Western banks as it was transferred from one account number to another. A trickle of the money, practically no more than the

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<sup>4</sup> [Abdulhay Y. Zalloum](#), *Oil Crusades: America Through Arab Eyes*, Pluto Press 2007, 108

interest was allowed to go to the producing nations to consume Western products and buy its outdated redundant arms.

Through covert arrangement with its major oil producing client states, such as the Shah of Iran, OPEC was seduced to make pricing in dollars only, thus creating huge demand on the dollar and in printing worthless five cent papers as 100 dollar bills. This was one more reason for the United States to upgrade its interest in the oil fields from just control to outright occupation.

*The 1970s: Weighing Options, Developing Plans*

We quoted, elsewhere in this book, the former American ambassador to Saudi Arabia who alleged that outright occupation of the Gulf oil fields was an option presented by the architect of the American diplomacy and national security establishment, Henry A. Kissinger. That such an option was seriously considered, was written in one of Harvard Graduate School of Business cases titled: Control of International Oil. Probably due to the risks involved in a bipolar world for such action, and certainly not because of any moral considerations, a step by step approach was adopted. The United States unleashed a new global financial system after the 1971 cancellation of the dollar convertibility to gold, which introduced many economic and financial variables in the United States and across the world.

On the financial side, the seventies were mostly used to entrench the new global 'no-system-system' order in which great amount of money had to be printed, without any cover, except that the world was forced to buy these 'worthless' dollars to pay for oil ,thus , oil , the black gold, became in effect , the substitute of yellow gold , as back up to the dollar. Also, in order for money to be created, debt had to be created, thus most of the developing countries were burdened by the sharp oil prices and had to borrow to pay for it from the Western international banks that stored the petrodollars, a vicious circle.

India is just one example. In 1974, India had \$629 million of reserves, half of which were sufficient to pay for its oil bill at 1973 prices. But the bill came in at \$1.241 billion. Overall, developing countries incurred a \$34 billion debt in 1974 – an unprecedented amount. OPEC dollars were recycled to the big banks of New York and London, and now those banks could decide which country would be granted a loan and on what conditions. Meanwhile, debts continued to mount. Fully a third of the total annual budget of Jordan, for instance, is spent servicing its debt interest, while the debt itself is not reduced. At \$60 a barrel, its oil bill amounted to about 20 percent of GNP in 2005. America's oil bill in the same period was a comfortable 2.5 percent of it GNP.

Debt of the developing countries sky-rocketed during this period, and developing economies became enslaved to the global

financial institutions diverting much of their national economy just to service the debt. The principal in most cases either stayed stable at best, but increased in many cases. Since the International Monetary Fund and the World Bank were created within the fixed exchange system of Bretton Woods, their original role practically vanished and a new role was crafted for them by the United States. They started to operate in line with the U.S. Treasury Department to manage this newly created debt, to safeguard the loans of the global financial institutions to the detriment of the developing nations in most cases. As Wall Street's safety net, they guaranteed to Wall Street that its loans would be paid in coordination with the long arm of the United States political and military power.

On the military side, the United States created the Rapid Deployment Command in Florida. A military force was created, trained and deployed to be rapidly deployed and moved to the Gulf in case of any need to defend what America defines as its interests in this region. The force painted its armament in desert colors and its members were trained on desert warfare. This command became known later as the Central Command(CENTCOM).

Military plans and war games were prepared for American intervention. Ironically, the exact scenario of Desert Storm was prepared in 1978 and a war game envisioned an Iraqi attack on

Kuwait and America's potential response to it. The May 7, 1979, issue of Fortune Magazine published a war game scenario that described possible American military response and plans in case of an Iraqi invasion of Kuwait based on border and other disputes. Page 158, under the heading "If Iraq Invades Kuwait..." said:

Iraqi armored forces, using primarily Soviet equipment, could overrun either nation quickly. Assistance, if requested, would initially involve U.S. tactical air strikes against Iraq's armor and its air support - and possibly threats to destroy Iraq's oil facilities. To dislodge Iraqi ground forces would require marines from the 6th and 7th fleet and infantry from the eighty-second and 101st divisions." The plan envisaged "an army in the sky" to move the troops and the utilization of the U.S. Air force Strategic Airlift - the seventy giant C-5 As and 234 smaller C-141 transports, plus 700 KC-135 tankers for in-flight refueling.<sup>5</sup>

That was written in 1978! During this period, American military bases and huge naval cities were built in the Gulf semi-discretely and under false images and claims.

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<sup>5</sup>"If Iraq Invades Kuwait or Saudi Arabia", *Fortune Magazine*, May 7, 1979, 158

*The 1980s: Increased American Military Presence and Proxy Wars*

As Pax Americana superseded Pax Britannica, the American empire was following the footsteps of the British empire and assuming its role at the service of the global financiers. President Carter issued his Doctrine, the Carter Doctrine practically declaring in 1980 that the Gulf is effectively an American lake just like the British did before him. Carter declared:

Any attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States of America, and such an assault will be repelled by any means necessary, including military force.

Isn't this an exact echo of British Foreign secretary Lansdowne who gave a similar warning 77 years before Carter. He declared in 1903 as soon as drilling for oil was started in Persia that the British Government: "Regards the establishment of a naval fortified port in the Persian Gulf by any other power as a very grave menace to British interests and we should certainly resist it with all the means at our disposal."

After the 1979 Islamic revolution under Ayatollah Khomeini and the deposing of the Shah, the U.S. and its allies encouraged Iraq to seize the opportunity and destabilize the Khomeini regime. The idea was that Shatt Al Arab might become an exclusively Iraqi waterway. Al Bakr was opposed to this scheme, but Saddam supported it. Saddam became president in 1979 when Al Bakr resigned, and opposing members of the Ba'ath party were executed shortly thereafter.

In 1980, with American students held hostage at the American Embassy in Tehran, the U.S. was eager to strike a blow against the Islamic revolution. President Carter's attempt to free the hostages in a special operation ended in disaster. Meanwhile, the oil sheikhs of the Gulf were fearful that the revolution threatened their overthrow as it had that of the Shah.

Saddam Hussein now revoked his agreement on Shatt Al-Arab. Iran advocated his overthrow, and it was claimed that the Iranians made some attempts to assassinate Iraqi officials. But what tipped the balance towards an all-out war was the tacit approval of Washington for Saddam's anti-Iran activities and the promise of the oil sheikhs and Saudi Arabia to finance Saddam's war against Iran. The final go-ahead came during Saddam's August 1980 state visit to Saudi Arabia, the first ever by an Iraqi president. According to investigative reporter, Bob Parry, in his article "Missing U.S.—Iraq History", "Saudi leaders also say they urged Saddam to take

the fight to Iran's fundamentalist regime, advice that they say included a 'green light' for the invasion from President Carter."<sup>6</sup> Saddam invaded Iran on September 22, 1980, a mere six weeks after his state visit to Saudi Arabia.

The Iran-Iraq War ground on for eight years. The U.S.'s official line was one of neutrality, but in reality, it stayed true to Kissinger's famous dictum that in wars there is normally a loser and winner, but in the Iran-Iraq War they should be two losers.

First through its allies, and later directly, the U.S. was supplying Iraq with satellite and other intelligence to inflict maximum damage on the Iranians. Yet at the same time, the U.S. was providing Iran with spare parts and arms, as was disclosed in the Iran-Contra affair. Dual-use technology was sold to Iraq and the deep pockets of the oil sheiks were plundered to pay for them. An article in the September 23, 2002 issue of *Newsweek* disclosed that in the 1980s, President Reagan allowed sales of computer databases to Iraq that could be used to track political opponents, along with shipments of materials that could produce anthrax and arsenals of biological weapons.

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<sup>6</sup> Robert Parry, "Missing U.S.-Iraq History", *Consortium News*, February 27, 2003, <http://www.consortiumnews.com/2003/022703a.html>

As Reagan's envoy, Donald Rumsfeld visited Iraq and met Saddam Hussein twice: in 1983 and 1984. According to reporters Murray Waas and Craig Unger in an article from the November 2, 1992 issue of *New Yorker*, it is also believed that Bush Senior, while Reagan's vice-president, advised Saddam, through Arab intermediaries, to intensify his bombing campaign against Iran – apparently to boost Iran's demand for anti-aircraft weapons manufactured in the U.S.

Territorially, the Iran–Iraq War left both countries at the point they were in when the war began in 1980. But it left the Iraqi economy in tatters and deeply in debt, whereas it had had a \$30 billion surplus before the war started. Furthermore, one million Iraqis had been killed or wounded, and there were many prisoners of war. Iran suffered similar losses. So Kissinger's remark was realized: both countries emerged from the war as losers. At the same time, the U.S. was increasing its visible presence in the Gulf. It is quite probable that the occupation of Kuwait and the 1991 Gulf War were a result of the Iran–Iraq War.

Saddam felt the oil sheikhs owed him a lot during the conflict with Iran. To restore his economy he wanted them to write off Iraq's debts. But they were not willing to do so. Then he asked for a \$10 billion loan from Kuwait, which it refused. In fact, Kuwait was driving down world oil prices as it was producing huge quantities of oil from its share of the Rumaila field beyond its OPEC quota.

Only a small part of this oilfield is within Kuwaiti borders – most lays under Iraqi land. Saddam was infuriated, as each \$1 drop in the price of oil meant a \$1 billion fall in revenue to Iraq.

That Saddam sent troops south to the Kuwait borders was evident not only to American satellites, but even to Western reporters. But Saddam had been misled. April Glaspie, U.S. ambassador to Baghdad, had told him that Arab–Arab conflicts were not a concern of the U.S., and an administration official when asked in Congress about America’s reaction if Kuwait were to be invaded, replied: “We have no defense agreement to defend Kuwait.”

In this context, an affidavit filed in a Florida courthouse has considerable bearing. This sworn declaration by a former national security official in the Reagan administration, Howard Teicher, was filed in connection with a criminal trial in Miami, in 1995. According to Teicher, the Iran offensive of 1982 worried Washington and it decided to give enough aid to prevent Iran from winning the Iran–Iraq War. In his sworn statement, Teicher wrote:

In June, 1982, President Reagan decided that the United States could not afford to allow Iraq to lose the war to Iran. President Reagan decided that the United States would do whatever was necessary and legal to prevent Iraq from losing

the war with Iran. President Reagan formalized this policy by issuing a National Security Decision Directive (“NSDD”) to this effect in June, 1982. I have personal knowledge of this NSDD because I co-authored the NSDD with another NSC Staff Member, Geoff Kemp. The NSDD, including even its identifying number, is classified.<sup>7</sup>

Teicher said the NSDD Reagan signed authorized covert U.S. assistance to Saddam Hussein’s military. This included “billions of dollars of credits,” and U.S. military intelligence and advice, ensuring Iraq had the needed military weaponry, and strategic operational advice.

The effort to arm the Iraqis was “spearheaded” by CIA Director William Casey and involved his deputy, Robert Gates, according to Teicher, while the CIA, “including both CIA Director Casey and Deputy Director Gates, knew of, approved of, and assisted in the sale of non-U.S. origin military weapons, ammunition and vehicles to Iraq.”

Regarding Rumsfeld’s 1984 visit to Baghdad, Teicher wrote:

I traveled with Rumsfeld to Baghdad and was present at the meeting in which Rumsfeld told Iraqi Foreign Minister Tariq Aziz about Israel’s offer of assistance. Aziz refused even to

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<sup>7</sup> The Teicher Affidavit, January 31, 1995,  
<http://www.informationclearinghouse.info/article1413.htm>

accept the Israelis' letter to Hussein offering assistance because Aziz told us that he would be executed on the spot by Hussein if he did so.<sup>8</sup>

Teicher added:

...in 1986, President Reagan sent a secret message to Saddam Hussein telling him that Iraq should step up its air war and bombing of Iran. This message was delivered by Vice President Bush who communicated it to Egyptian President Mubarak, who in turn passed the message to Saddam Hussein. Similar strategic operational military advice was passed to Saddam Hussein through various meetings with European and Middle Eastern heads of state. I authored Bush's talking points for the 1986 meeting with Mubarak and personally attended numerous meetings with European and Middle East heads of state where the strategic operational advice was communicated.<sup>9</sup>

The Clinton administration attacked Teicher and his affidavit, then they declared them to be secret documents and they were locked under court seal.

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<sup>8</sup> Ibid.

<sup>9</sup> Ibid.

In 1983, the U.S. forces were expanded. The U.S. offered to escort Kuwait oil tankers during the Iraq Iran War and the United States brought in twenty-four major warships and 16,000 personnel under the pretext of this escort, operation Earnest Will. After he took his new assignment, Schwarzkopf attended the Foreign Service School at Arlington, Virginia. He was impressed with his new assignment to protect the flow of oil from the Persian Gulf, which counted for two-thirds of Japan's annual consumption, a tenth of U.S. consumption, 30 percent of Western Europe's consumption and 65 percent of the world's proven reserves. Schwarzkopf's first act was to study the history and psychological profile of the Iraqi president Saddam Hussein and the Iraqi military machine.

### *The 1990s: A Lone Super Power and a New Oil World Order*

In 1990, the United States found itself in a unique position: it was the only superpower in the world, after the implosion of the Soviet Union. The time for the creation of the economic globalization and expanding the "Grand Area Plan" to include the whole world was now ripe. It would be "now or never".

The U.S., as the only superpower, had more reason now than ever to control the oil.

- ✓ It imported 45 percent of its oil in 1989 and its studies had indicated it may have to import over 65 percent of its oil by the end of the 1990s!
- ✓ About 40 percent of the 1989 trade deficit of the United States resulted from oil imports. With nuclear power practically non-existent as energy supply source in the United States, standing at around 7 percent only, in 1989 oil accounted for 41.9 percent of the United States energy supply, gas accounted for an additional 24 percent, coal and coke for 23.3 percent, hydropower for 3.5 percent and other sources for 0.5 percent.
- ✓ The Central Asian and Caspian Sea republics could now be “assisted” to “independence” and their huge oil deposits secured and controlled.

Was it a coincidence that the American establishment brought through the magic of its media and marketing to power a first class experienced team of well rounded experts into the decade of the 1990s in which overt military operations will be waged, under one name or another, to complete the cycle of America’s control of oil resources? Something for conspiracy theorists to think about:

- George Bush not only understands oil, he once owned an oil company. He’s familiar with the business, and

therefore very qualified for the job of operation manager of world oil control. Besides, he once managed the CIA, and therefore he is a national security establishment icon.

- Secretary of Defense Dick Cheney also was a longtime establishment figure. Ironically, after leaving Washington, he became CEO of a Texas-based oil services company.
- Colin Powell, the chief-of-staff, was a member of the national security establishment. He also served as a national security advisor.
- National Security Advisor Brent Scowcroft was Henry Kissinger's deputy during the Nixon years. Even when he was out of government, he worked for Kissinger Associates.

These qualified people can share a secret, and the secret was the creation of a post cold-war world order that included U.S. control of international oil at the top of its priorities.

Kuwait, a country producing 2.1 million barrels of oil daily, was invaded by Iraq. Among other things, Iraq claimed that Kuwait was pumping more oil than the OPEC quota allowed; was selling it below posted prices, causing Iraq one-billion dollar loss per year for

every one dollar less on the oil price; and was pumping oil from the Rumela field through directional wells, a field that lay mostly under Iraqi territory. One may assume that the flooding of world markets with oil just before the Gulf War was no coincidence. Actually it was an indication that the whole scheme and drama of the Iraq invasion was staged to bring 500,000 U.S. troops in its step by step plan to control Muslim and Middle East oil, after the infrastructure for such huge forces was constructed mostly in the 1980s. This pre-Iraq invasion oil production and stock increase was to prepare world markets for a possible embargo on Iraqi-Kuwaiti oil, thus to prevent sharp oil price increases as a result. War games and plans for the Desert Storm were mostly prepared in the late 1970s as the Fortune May 5, 1978 article quoted above clearly indicated.

The United States used the United Nations as a useful vehicle in its diplomacy to invade Kuwait, even though the U.S., the richest country on earth, was then also the most indebted nation on earth, was defaulting on its arrears payment to the UN! The resolutions necessary for intervention were secured. The U.S. could have used the same influence to stop the invasion before it occurred, and it was capable of doing so by a mere warning from a third rate diplomat from the State Department.

The Gulf War was an opportunity for the United States to get rid of its redundant stockpiles of arms, as well as to test some new weapons systems, all paid for mostly by the Arab oil producing countries, and Iraq was the theatre for all of this. It must have been a Hollywood first class film writer who wrote the scenario for the first Gulf War.

One new feature in the New World Order was involving the second and third economies of the world, Japan and Germany in participating in America's wars and they not only were requested to foot part of the war cost, but even send troops. When Japan protested that its American-constitution (after World War II) does not allow it to participate in such wars, they were advised that constitutions can be amended. The Gulf war was one unique war in history in which all the cost was paid by others than the beneficiary.

The United States, under the U.N. umbrella, went to war against a third world country of seventeen million and ... wow, it won. The American people were told that now they could put to rest the Vietnam syndrome, brought by a war in which some 250,000 American soldiers lost their lives or were wounded. By the end of the Gulf War, in 1991, everybody in the Middle East and many of those who joined the war lost. Also, the price of oil went down to its pre-1973 level! (in constant 1973 dollars.)

To promote the war, the United States advocated, through James Baker, the creation of a “Middle East Development Fund”, with \$15 billion paid annually by the oil-producing Arab states so that the oil wealth will be more equitably distributed. This idea was toyed with in Damascus by the Desert Storm Arab coalition. This and the Damascus meeting resolutions evaporated before the ink dried on the signatures, soon after Desert Storm operations ended. The bills that were presented by the United States to the oil-producing Arab states and the subsequent bills for the purchase of American redundant arms, using the imaginary threat from Iraq as a good excuse, dried the treasuries of those states and they had nothing left to donate or redistribute.

Gulf States found their economic assets drained by the war. The governments had to cancel a dozen major projects. The stock markets crashed. A good percentage of all bank deposits were withdrawn by scared citizens and the governments had to pump billions into the financial system to keep it from crashing. To relocate Saudis who fled the eastern region during the war, to pay for 200,000 Kuwaitis who arrived in Saudi Arabia after Kuwait’s occupation and to pay for the guest workers’ exodus, some \$4 billion were spent. To “prepare” the kingdom for war, by the end of 1990, Saudi Arabia had paid at least \$13 billion. Some \$17 billion was scheduled to be paid by Saudi Arabia for arms to be stored in

the kingdom. King Fahd agreed in September 1990 to cover “in full” the “in country” cost of the U.S. troops dispatched under Desert Storm, since the United States alleged they were sent to protect the Saudi Kingdom. Their expenses were estimated at \$500 million monthly. When war broke out, the King pledged an additional \$13.5 billion to cover allied military costs through March 1991. Also, King Fahd pledged to contribute \$3-\$4 billion to a special U.S. Treasury fund to help countries such as Turkey bear the consequences of the U.N. embargo against Iraq. Saudi Arabia gave \$1.5 billion to Egypt, together with Kuwait, and wrote off \$6.6 billion of Cairo’s debts. One billion was also paid to Syria

Before the war, the oil production rate was 5.6 million barrels per day (bpd). After the embargo on Iraq crude, production was raised to 8.7 million bpd; 300,000 bpd were supplied to the allied troops equally more than three times the consumption of the country of Jordan. Most of the money for the oil price increase during the crisis was made not by the Arab producers but by the New York speculators, since oil was sold on long-term contracts. For example, the Saudis were earning \$28 per barrel, which included production and transport cost; the price of oil on the New York Mercantile Exchange was \$40 per barrel.

Wall Street and the global financiers had their day also when, as a result of the war, \$13.7 billion were withdrawn from the Bahrain Off-shore Banking Units (OBUs), a full 21 percent of the

total assets. Kuwait banks ceased operations fully during the occupation and in the UAE withdrawals rose to 25 percent of liabilities.

Before the war, the Gulf States employed large numbers of Arab expatriates whose remittances constituted a major source of hard currency for their home countries. The 1978 war game published by Fortune magazine suggested the deportation of Palestinians and Yemenis from the Gulf at the first opportunity as they are considered a security risk. As this was implemented during and shortly after the Gulf War, it caused hardship to hundreds of thousands of Palestinians and Yemenis, as well as to their home countries which witnessed drastic reduction in its expatriates remittances which constitute one of the major items in their national revenues. Instead of a “Middle East Development” project that was promised by the United States before the war, poverty, unemployment and wealth disparity increased, and an Arab cold war was encouraged.

### *Hell in the Gulf*

After Iraq’s invasion of Kuwait in 1990, the U.S. reciprocated with a two-pronged economic and military attack. Just days after Iraqi troops invaded and under pressure from Washington, the UN

Security Council imposed the most prohibitive economic sanctions it had ever approved – including sanctions on all food imports.

The military action was one of crushing intensity. On January 16, 1991, the Pentagon unleashed six weeks of incessant air and sea bombardment. Planes from the U.S., UK, France, Canada, and other countries dropped 88,500 tons of bombs which destroyed the country's infrastructure, including factories, bridges, electrical power stations, irrigation facilities, sewerage systems, and everything else in the vicinity. This was followed by a four-day "ground war".

When Martti Ahtisaari, a special rapporteur to the UN and later president of Finland, visited Iraq just after the Gulf War, he wrote: "Nothing we had seen or read could have prepared us for this particular devastation, a country reduced to a pre-industrial age for a considerable time to come."<sup>10</sup> So it seemed the U.S. had achieved its aim: the U.S. Secretary of State at the time, James Baker III, had promised exactly that to Tariq Aziz, the Iraqi vice-president and principal negotiator at Geneva, a few days before the invasion.

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<sup>10</sup> Felicity Arbuthnot, "Crimes in Iraq: Lest We Forget – Thirteen Years of Sanctions", August, 4, 2004, [http://www.islamonline.net/english/In\\_Depth/Iraq\\_Aftermath/2004/04/article\\_03.shtml](http://www.islamonline.net/english/In_Depth/Iraq_Aftermath/2004/04/article_03.shtml)

But the question must be asked: if the U.S. was only interested in ousting Iraqi forces from Kuwait, why did it precipitate the massive destruction of Iraq's civilian infrastructure? And if the aim was the removal of Saddam Hussein from power, which was within their grasp after the war, why did U.S. policy suddenly take an about-turn. The deployment of U.S. and allied forces was devoted not to toppling Saddam, but, in effect, to keeping him in power. What for?

In 1991, Bush Senior called for the people of Iraq to overthrow Saddam. He was not, however, referring to the Kurds, Shi'ites, or any democratic forces, but to the Iraqi army or the Ba'athist Party. Former CIA director William Webster later explained: "If we had been fortunate, the troops in his Army and the cadres in his party might have moved to take him out."<sup>11</sup> Washington's fear of popular revolution was obviously far greater than its desire to get rid of Saddam.

The motive driving the first Gulf War – the most savage exercise of exploitative power any country has had to endure in recent history – was, in a word, oil. And the Gulf War was only the beginning. The U.S., which far exceeds Iraq in terms of population and economic power, would wage two more wars against this third

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<sup>11</sup> [Abdulhay Y. Zalloum](#), *Oil crusades: America through Arab Eyes*, Pluto Press, 2007, 44

world power portrayed by Washington and its corporate media as a menacing superpower.

### *The Power of Three*

Many analysts believe that Iraq's invasion of Kuwait had been encouraged by the U.S. One year after the start of the Gulf War, I was on a flight to Istanbul for a holiday with my family. The date was January 5, 1992. Donald van Etten, a history professor at the University of California, was on the same plane, also on his way to Turkey for a holiday. He wondered how I felt about the Gulf War.

I told him I believed it must have been impossible for the U.S. not to "see" the movement of 100 000 Iraqi troops and over 5 000 tanks and vehicles during the Kuwait invasion. The U.S. had all the human, electronic, and other means needed to pinpoint the zero hour of invasion and nip it in the bud. Its government's apparent passivity in this regard had been bolstered by the actions of the then U.S. ambassador to Baghdad, April Glaspie. She had told the Iraqi leadership that its dispute with Kuwait was an Arab-Arab affair, which the U.S. would take no position on. She left for Washington a week before the U.S. invasion, and stayed there.

Van Etten replied that the U.S. could have chosen not to act, as I was suggesting, if it had thought that the Kuwait invasion would serve its interests. He mentioned that he had written a study called *Rock and Stitch* showing not only that the U.S. government

knew in advance about the bombing of Pearl Harbor in 1941, but also that it wanted it to happen. Certain provocations by the U.S. were intended to precipitate an attack on Pearl Harbor to enable it to enter World War II.

“We were sitting ducks,” one Pearl Harbor survivor described the general feeling aboard the ships tied up next to Ford Island in December 1941. They were. The “ducks” were not allowed to find shelter on the West Coast or to hide in the wide ocean. They were kept in Pearl Harbor where they lay, a tempting target. They served that purpose and their country. The ships and men sacrificed at Pearl Harbor saved the world from the Axis domination. There has been no greater instance of a few serving in sacrifice for the survival of many.

It was only the fact that they did not know they were bait for a trap and did not volunteer for that doomed duty to save the society they served that denied them their rightful honor. The military men in Hawaii were innocent of any crime of unpreparedness because they were ignorant of all the circumstances preceding the attack. Franklin D. Roosevelt was not ignorant and therefore not innocent.

Franklin Delano Roosevelt not only knew that Pearl Harbor was imminent, he purposely precipitated the event. Without

Roosevelt's Machiavellian maneuverings, the December 7, 1941 attack by Japan on Pearl Harbor would not have taken place.

The second Gulf War, what could be dubbed the "No-Fly Zone War," allegedly begun to protect the Shia in the south and the Kurds in the north. However, for those who know the sites of Iraq's oil reservoirs and production facilities as I do, it is not difficult to conclude that it is no coincidence that Iraq's oil production facilities just happened to fall under the No-Fly Zones.

During this conflict, which lasted from the end of the Gulf War proper in 1991 to 2003, all air and other defenses in these regions were destroyed by U.S. and British air forces. Although largely ignored by the American and British media, this war escalated steadily. In December 1998, for instance, a massive four-day attack, "Desert Fox," took place. Within the first eight months of 1999, American and British forces launched 1,100 missiles against 359 Iraqi targets, according to a *New York Times* article of August 13, 1999.

By the end of the 1990s, some 22,000 U.S. military personnel, 200 military planes, and nineteen warships had been deployed. It is believed that at least 500 000 Iraqi children died in this war, a result of a combination of the health effects of sanctions and missile strikes. When Madeleine Albright, President Clinton's Secretary of State, was asked if this price was worth America's pursuit of its

objectives in Iraq, her notorious answer was, “I think this is a very hard choice, but the price, - we think the price is worth it”.<sup>12</sup>

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<sup>12</sup> 60 minutes interview that aired on May,12,1996, CBS television program

## *CHAPTER 5*

### *AMERICA'S INVASIONS OF AFGHANISTAN AND IRAQ:*

“One of the reasons we had no exit plan from Iraq is that we didn’t intend to leave.”

Professor Emeritus Chalmers Johnson, University of California at San Diego.

America’s presence in Central Asia is simply one link in a region-by-region plan that first emerged in 1992, during the presidency of George Bush Senior. At this time it became clear that American policy since the collapse of the Soviet Union had global imperialism as its central goal. The CIA and the strategists of the country’s far-right power elite were well aware in 1992 that the major oilfields outside the Middle East and possibly the former Soviet Union were rapidly being depleted. Controlling access to oil had reached peak importance, and the U.S. government reasoned that now was the time for its huge military machine to grind into a new phase of action. This grandiose strategy was set out in the so-called “Wolfowitz Doctrine,” the Pentagon’s Defense Planning Guide, which had been authored by U.S. Under secretary of Defense for Policy Paul Wolfowitz. Leaked to the *New York Times* in March 1992, it was widely recognized – and decried – as

imperialist, favoring pre-emptive military action to suppress threats and impede other countries from attaining superpower status. Unsurprisingly, a number of its recommendations later emerged in the Bush Doctrine. General Norman Schwarzkopf, who led the 1991 Gulf War invasion of Iraq, had foreshadowed Wolfowitz's document in 1990, when he told Congress:

Middle East oil is the West's lifeblood. It fuels us today, and being 77 percent of the free world's proven oil reserves, is going to fuel us when the rest of the world runs dry.<sup>1</sup>

In the Middle East and Southwest Asia, our overall objective is to remain the predominant outside power in the region and preserve U.S. and Western access to the region's oil. We also seek to ... safeguard our access to international air and seaways. As demonstrated by Iraq's invasion of Kuwait, it remains fundamentally important to prevent a hegemon or alignment of powers from dominating the region. This pertains especially to the Arabian peninsula. Therefore, we

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<sup>1</sup>F William Engdahl, "The oil factor in Bush's 'war on tyranny'", *Asia Times online*, March 3, 2005, [http://www.atimes.com/atimes/Global\\_Economy/GC03Dj02.html](http://www.atimes.com/atimes/Global_Economy/GC03Dj02.html)

must continue to play a role through enhanced deterrence and improved cooperative security.<sup>2</sup>

### *America's Involvement in Afghanistan*

Mohammed Zia-ul Haq, a Punjabi Muslim, was raised as a captain in the British colonial army in what is now known as India, before the subdivision of the Indian subcontinent into present India and Pakistan. His father was an Anglophilic civil servant.

Pakistan was created in Islam's name, even though its founder Mohammed Ali Jinnah was a secularist that must have been in favor with British authorities who conferred on him the title 'Sir'. He died however, before he could entrench his secular principles and his weak successors could not accomplish Jinnah's principles. An Islamic movement that was started by Abu Al Ala Al Mawdoodi, which was said to have been affected by the Pan-Islamic Moslem Brotherhood movement, took hold in Pakistan and became what is known as the Jamaat-e-Islami, or the Muslim Group. Zia was sympathetic to the teachings of this movement. In the late 1970s, as the Khomeini revolution was brewing and it succeeded in overthrowing the Shah Mohammed Reza Bahlavi,

Zia, now a general who became a president of Pakistan declared Pakistan an Islamic State. Though he is religious, he was

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<sup>2</sup> "Excerpts From Pentagon's Plan: 'Prevent the Re-Emergence of a New Rival', *New York Times*, March 8, 1992.

by no means a radical. This is how one intelligence brigadier from the Pakistani Inter Services Intelligence (ISI) described Zia: “Devout Muslim, yes, but too much of a politician to have the fundamentalist fervor.” He added: “Without Zia there could have been no successful Jihad...”<sup>3</sup>

So probably that was why he was there! President Reagan and his CIA director Bill Casey did not speak about the U.S. Soviet relationship in geopolitical language, but in the religious vocabulary of good and evil. Casey and Reagan placed special emphasis ‘on the role of Christian faith in the moral mission to defeat communism’. Zia and the United States convinced Saudi Arabia to join them in a covert war against the communist infidels who invaded Afghanistan. A marriage of convenience was forged, and a unique covert war was launched that combined Muslim Jihad and crusading White House backed by CIA money and talent, and lots of Afghani Muslim blood. This strange and bizarre combination of forces produced spectacular military results that weakened the USSR and was the straw that broke the camel’s back!

But it also unleashed considerable unplanned and probably disastrous consequences mostly due to the law of unanticipated

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<sup>3</sup> Steve Coll, *Ghost Wars: The Secret History of the CIA, Afghanistan, and bin Laden, From the Soviet Invasion to September 10, 2001*, Penguin, 2004, 61

consequences. The Taliban was one these products. Osama Bin Laden and Al Qaeda was another.

Bill Casey briefed President Reagan in January 1984 that the Mujahiden fighters had killed and wounded by then 170 000 Soviet soldiers. According to the classified CIA estimate from which Casey was quoting the figures to Reagan, the Soviets lost 350 to 400 aircraft in combat. The Mujahedin destroyed about 2750 Soviet tanks and armored carriers and about 8000 trucks, jeeps and other vehicles. All in all, until that date the Muslim Jihad had cost the USSR about \$12 billion.

The cost to the United States was only \$200 million, and a similar amount paid by Saudi intelligence since Saudi Arabia pledged to match American covert money a dollar for a dollar. Casey did not find it fit to mention the amount of Muslim blood that was shed, nor the amount of destruction that was brought to Afghanistan. That, in American language is just collateral damage. The Jihad continued until it successfully drove the Soviets out of Afghanistan and strained their empire to the point of collapse.

The memory of the West seems to be short and never learns from history. In the 19<sup>th</sup> century, an Afghan king named Dost Mohammed proclaimed himself as Amir Al Mu'menin, the Commander of the Faithful, which was what Taliban's Mulla Omer declared himself to be. That was when the British imperialists

wanted to occupy Afghanistan as a buffer zone between them in the Indian subcontinent and Russia. The revolting Afghans, armed with Islamic Jihad fervor, slaughtered thousands of the British occupation army and its elephants and forced it into 'an inglorious retreat'.

Afghanistan plunged into violence and deprivation after the U.S. deserted the Mujahedin. The U.S. abandoned all aid to Afghanistan two years after Bill Clinton took office.

After the implosion of the USSR the Afghanistan agenda vanished from the American policy agenda, as the Clinton administration was involved in spreading the globalization gospel and supporting corporate capitalism. To them, really as always but now more visible, American national interest is the interest of American corporations, not the 45 million Americans declared as poor by Washington's official Bureau of Statistics. As far as the 19<sup>th</sup> century, American President Hayes declared: 'This is a government of the people, by the people, for the people no more. It is a government of corporations by corporations for corporations.'

Afghanistan's fighting parties and its destroyed infrastructure were left to their fate. Their fate was with the Taliban, the ancestors of Dost Mohammed headed by Amir al Mumenin Mulla Omer. As the new Russia emerged, it shared with the United States its

concerns about the rising Islamic revival throughout the Muslim world from North Africa to Indonesia, including Afghanistan. It was Mulla Omer and his Taliban who emerged as the dominant force as he occupied Kabul, the capital of Afghanistan. He was receiving aid from ISI of Pakistan.

After the Islamist election victory in Algeria, and the Islamists campaigns against Hosni Mubarak's Egypt, and the rise of Hizbollah in Lebanon and Hamas in Palestine, this new Islamic revival in the Muslim world became America's concern. Also, it was the issue that troubled America's Arab and Muslim allies. Even when Yasser Arafat and his PLO leadership opted for peace with Israel, Islamic Hamas became his problem:

“The PLO collected intelligence about Hamas's fund-raising in Saudi Arabia, its religious schools in Yemen, and its gunrunning network in Sudan. Terrorists with a violent Hamas offshoot, called the Palestine Islamic Jihad, had clustered around an exiled Saudi financier named Osama bin Laden, the PLO informed the CIA's station chief in Tel Aviv. The PLO hoped the CIA would join them in battle against the Islamists, disrupting Hamas.”<sup>4</sup>

In Mulla Omer and the Taliban movement, America and its allies got what they did not want. He was a devout Muslim, unlike Zia, who will not compromise his principles for politics. He had no

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<sup>4</sup> Ibid., 260

personal ambitions and cared little about worldly possessions. He explained that the Taliban: “was a simple band of dedicated youths determined to establish the laws of God on Earth and prepared to sacrifice everything in pursuit of that goal.” He added: “The Taliban will fight until there is no blood in Afghanistan left to be shed and Islam becomes a way of life to our people.”<sup>5</sup>

The American embassy in Pakistan reported to Washington that the Taliban received assistance from a number of sources, including Pakistan, but was quick to conclude that these sponsors might quickly learn that “they have created a tiger that is more than willing to make independent action and not be anybody’s tool”. But such opinions made little difference as Afghanistan was simply not on the political agenda of Clinton’s Washington. But that remained the case until oil and gas interests dictated American involvement in Afghanistan once more.

Unocal, the twelfth American energy company at the time, thought that an adventure in the oil and gas of Central Asian republics of the former USSR might make up for its recent business setbacks. It decided to concentrate on the small newly independent republic of Turkmenistan of less than five million people but with 159 trillion cubic feet of untapped natural gas and 32 billion

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<sup>5</sup> Ibid., 289

barrels of oil. These huge reserves are called 'stranded oil and gas' since the country is landlocked and they need huge investments and a transit country willing to allow the construction of these pipelines. Even though Iran might be the most logical choice, the geopolitics ruled out that option. Russia was also ruled out for the same reason. That left Afghanistan as the next best option. Another group of Western oil companies, mostly American and British wanted to build a pipeline from Baku bypassing Russia, and transiting via Georgia and Turkey. Turkey welcomed the idea, and the newly independent state of Georgia could be swayed through a colorful revolution, as CIA color-revolutions became fashionable in making regime changes where possible. Nothing easy comes with the oil business, but the rewards, the prize, are worth it.

Unocal chose Marty Miller who was nearing the end of his career and was looking for something challenging to do. His long journey to promote Unocal projects started in the summer of 1995. Miller arrived in Ashkhabad, the capital of Turkmenistan and saw the picture of President Niyazov everywhere staring at him, Miller turned to the U.S. embassy for help. Niyazov invited the senior Unocal executives to his palace, and over lots of vodka they broke the ice. The Clinton administration decided to back Unocal as well as all other American oil companies to capture the new resources of the Central Asian republics that were born out of the corps of the former USSR. So it actively backed Unocal.

A privately owned oil and gas company, Bidas, owned by the Bulgheroni family, with its seat in Buenos Aires, was eyeing the stranded oil and gas reserves of Turkmenistan before Unocal did. They knew that Saudi Arabia had a close relationship with Pakistan so Carlos Bulgheroni had an meeting with Prince Turki bin Feisal, the head of the Department of Intelligence. Turki admired Carlos but refused to participate, so he introduced him to another important Saudi businessman who was willing to do so. Carlos went to Pakistan, and since he was introduced by an influential Saudi friend he met Benazir Bhutto, the Pakistan prime minister, and her wheeling and dealing husband who was a Karachi businessman. Bhutto's husband and Carlos struck a deal. Since Pakistan was in need of gas, it would buy all the gas that the Argentinean Company could pump to Pakistan from Turkmenistan.

Unocal enlisted the influence of the United States government, as well as former influential people such as Henry Kissinger. Zalmay Khalilzad and Hamid Karazai were among Unocal consultants. After several rounds of negotiations and blending U.S. power with Unocal power, Miller was advised in September that Niyazov decided finally to go with Unocal and he had abandoned the Bulgheroni proposal. An agreement was signed in which Unocal would construct two oil and gas pipelines through

Afghanistan and Pakistan for a total cost of \$8 billion. What remained was to convince Afghanistan and Pakistan to accept the deal. During his negotiations with Niyazov, and later on while lobbying Pakistan and Afghanistan for his project, Miller met regularly in Washington with Sheila Heslin, the director of energy issues at the National Security Council, at the West Wing of the White House. He also met with the CIA in Langley and with the CIA in Texas. So the State Department started to work hard on Pakistan first.

Persuading Pakistan to drop the Argentine pipeline proposal became U.S. policy. American ambassador to Pakistan, Tom Simons, educated himself on the details of the deal and went to lobby on Unocal's behalf.

“Bhutto had entered into what many of her Westernized friends regarded as an unfortunate marriage. Her husband, Asif Zardari, was a Karachi businessman who seemed to style his ambitions on the godfather characters in Bollywood movies. Allegations about his corrupt business dealings had contributed to Bhutto's first sacking as prime minister in 1990,”<sup>6</sup> wrote Steve Coll, in *Ghost Wars*. Unocal claimed they had information that Bhutto was going to continue backing the Argentine project because of a pay off to her husband. “Unocal lobbyists began to drop hints to the Pakistan embassy in Washington that the company knew about

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<sup>6</sup> Ibid., 310

the supposed payoffs. The message, as Bhutto and her allies understood it, seemed unmistakable. If Benazir Bhutto wanted to avoid trouble over the corruption issue, she should come clean and do business with Unocal.”<sup>7</sup> The American embassy in Pakistan also learned that someone in Bhutto’s government received payoffs on the Argentine project.

By the end of 1996, Tom Simmons visited Bhutto in her office. He told her directly in a stern tone that she should sign with Unocal and drop her memorandum of understanding with the Argentine company Bridas. It sounded more like he was issuing an order and not a suggestion. Though she showed her displeasure with Simmons tone, she told him that Pakistan could not do so since there was already a signed contract. Simmons told her that was ‘extortion’, meaning that she would not sign the Unocal deal unless her husband was paid off. Bhutto became furious and asked him to leave. She is known to defend her husband passionately and stubbornly.

Now Miller had to work on the Taliban in Afghanistan. In the late spring of 1996, he went to Kandahar to meet with the Taliban. He showed slides and tried to impress them with numbers of jobs and dollars the pipe line projects would bring to Afghanistan. He

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<sup>7</sup> Ibid., 310

had the slides translated into Pashto. As non-Muslims the representatives of Unocal were told they could not meet Mulla Omer, the head of the Taliban. They did meet others in the Taliban leadership in a room without furniture except some rugs on the floor. Miller brought with him a draft of a preliminary agreement, but found out that the Taliban were not so primitive after all. They wanted to go ahead but on their own terms. Miller then packed and left to meet with the Taliban governor in Herat. The governor thought Miller was so good and asked him why he did not convert to Islam. Certainly that was not what Miller came to Afghanistan to do. Miller though met an American from New Jersey who converted to Islam and had become a devout Taliban Muslim with an adopted Muslim name, Salman. After Miller returned to the U.S., he was visited by a CIA case officer at Unocal's offices in Sugar Land, Texas. It was a routine that either Miller visited CIA at Langley or Langley sent a case officer to exchange information with Miller after Miller's foreign trips. The meetings were mostly dominated by Miller's reports on his trip and sometimes the CIA would drop a hint that may be of value for Miller. It was an interrelationship between the U.S. government and U.S. corporations that enabled the government to be at the disposal of the corporations.

Unocal continued to further its relations with the Taliban especially after the Taliban defeated Massoud Shah, who with his northern forces was on the CIA's payroll. Massoud was spreading

rumors that there was a Unocal-CIA-Taliban conspiracy that enabled Taliban, with ISI assistance to control most of Afghanistan. A state Department official confided to a Russian counterpart that: “The United States government now hopes that peace in the region will facilitate U.S. business interests.” In a closed meeting of the UN Security Council in New York, Robin Raphel of the State Department suggested that for the sake of peace, all nations must engage with Taliban. She justified the Taliban’s success in controlling Afghanistan with the following statement: “The real source of their success has been the willingness of many Afghans, particularly Pash-tuns, to tacitly trade unending fighting and chaos for a measure of peace and security, even with severe social restrictions.”<sup>8</sup>

As Unocal lost interest in its pipeline project, and since the Taliban refused to hand over Osama Bin Laden to the United States without credible evidence of his involvement in unlawful acts, the Taliban fell from the favor in American politics. After all, they are an Islamic movement and now America was planning its clash with Islam under the name plate of clash of civilizations that evolved into a War of Terror, code named war on terror.

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<sup>8</sup> Ibid., 335

## *America and Saddam Hussein*

In 1959, a 22-year-old Iraqi joined a CIA plot to assassinate Iraqi president General AbdulKarim Kassem. His name was Saddam Hussein. Whether Saddam knew of the CIA's involvement or was unknowingly following his Party's elders, who did know about it, is open to debate. It also remains a possibility that an alliance of convenience was forged between the Ba'ath Party elders and the CIA.

On October 7, 1959, Kassem's convoy came under attack. Saddam killed Kassem's driver, wounded Kassem, and was wounded himself in the crossfire with Kassem's bodyguards.

In February 1963 Kassem was killed in a Ba'ath party coup that was, according to Roger Morris, sponsored by the CIA. As Morris wrote in the *New York Times* of March 14, 2003:

Forty years ago, the Central Intelligence Agency, under President John F. Kennedy, conducted its own regime-change in Baghdad, carried out in collaboration with Saddam Hussein.

The Iraqi leader seen as a grave threat in 1963 was Abdel Karim Kassem ... America's anti-Kassem intrigue has been widely substantiated, however, in disclosures by the Senate Committee on Intelligence and in the work of journalists and historians like David Wise, an authority on the CIA ... But without significant

opposition within the government, Kennedy ... pressed on. In Cairo, Damascus, Tehran and Baghdad, American agents marshaled opponents of the Iraq regime. Washington set up a base of operations in Kuwait, intercepting Iraqi communications and radioing orders to rebels ... Then, on February 8, 1963, the conspirators staged a coup in Baghdad ... Kassem gave up, and after a swift trial was shot;<sup>9</sup>

One of Kassim's sins as far as the CIA was concerned was his Petroleum Law No. 80, which took all undeveloped Iraqi territories out of IPC hands. All the oil until then was produced from only 1 percent of the Iraq territory, thus Kassim confiscated 99 percent of the Iraq area from the IPC concession. As for a CIA–Ba'ath connection in Iraq, John K. Cooley in his book *An Alliance against Babylon* quoted King Hussein of Jordan addressing the editor-in-chief of *Al Abram* newspaper of September 27, 1963: "Permit me to tell you that I know for a certainty that what happened in February (1963) had the support of American intelligence."<sup>10</sup>

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<sup>9</sup> Roger Morris, "A Tyrant 40 Years in the Making", *New York Times*, March 14, 2003

<sup>10</sup> [John K. Cooley](#), *An Alliance Against Babylon: The U.S., Israel, and Iraq*, Pluto Press, 2005, 93

In the decades of the cold war, the United States conducted its foreign policy through CIA covert operations and proxy wars. But at the advent of the twenty first century, it overtly started to unilaterally invade nations as it saw fit. In 1948 George Kennan, the U.S. State Department's policy planning staff director and a key figure in the emergent Cold War, said:

We have about 50% of the world's wealth, but only 6.3% of its population... In this situation, we cannot fail to be the object of envy and resentment. Our real task in the coming period is to devise a pattern of relationships which will permit us to maintain this position of disparity without positive detriment to our national security. To do so, we will have to dispense with all sentimentality and day-dreaming; and our attention will have to be concentrated everywhere on our immediate national objectives. We need not deceive ourselves that we can afford today the luxury of altruism and world benefaction. We should cease to talk about such vague and unreal objectives such as human rights, the raising of the living standards, and democratization. The day is not far off when we are going to have to deal in straight power concepts. The less we are then hampered by idealistic slogans, the better.<sup>11</sup>

Unfortunately, the United States started to implement Kennan's policy overtly, but did not heed to his advice to stop

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<sup>11</sup> George F. Kennan, Policy Planning Study 23 (PPS23), *Foreign Relations of the United States (FRUS)*, 1948

talking about “unreal objectives as human rights, the raising of living standards and democratization”. The barbaric invasion to Iraq was labeled “Operation Iraqi Freedom”.

At 05:34 Iraq time on March 19, 2003, America’s third war against Iraq since 1991– the war of occupation following Desert Storm and the War of No-Fly-Zones – began with a bombardment by U.S. stealth bombers and Tomahawk cruise missiles. The “Shock and Awe” operation (renamed “Operation Freedom”) culminated on April 5 with the military occupation of Baghdad.

### *Shadow of The Past*

Preemption and self-assigned roles of intervention in other countries affairs is as old as American history. In 1823, President Monroe enacted what later became known as the Monroe Doctrine. Among other points this stated that no Europe state should ever colonize any of the Americas. He also set out the notion that the U.S. would consider any attempt at colonization as a threat to its national security. President Theodore Roosevelt would later append his own addition, famously summed up as: “Speak softly and carry a big stick; you will go far.” In 1962 President Kennedy’s Secretary of State Dean Rusk presented to a senate committee a list that showed 103 American interventions in the affairs of other countries between 1798 and 1895 alone. Rusk’s history lesson was in essence

a defense of the administration's attack on Cuba – the abortive Bay of Pigs invasion in 1961. In 1963 Dean Acheson, Truman's former Secretary of State and later an advisor to the Kennedy, Johnson, and Nixon administrations, bluntly stated that the survival of states is not a matter of law.

### *Uncanny Similarities*

When Bush misconstrued facts to initiate his administration's war of occupation by claiming a link between Saddam and 9/11, and invoked God in support of it, he unwittingly sounded other historical echoes.

The official reason why the U.S. began the Spanish-American War was the claim that Spain had sabotaged the American destroyer USS *Maine* at Havana. The claim was investigated, but only after the occupation of Cuba and other Spanish territories was it shown that the explosion on the *Maine* was probably a "technical accident" and had not been perpetrated by Spain. The real trigger for this war was America's expansion into Far Eastern markets, especially China. This is where the Philippines enters the picture: to secure access to the Orient, the U.S. set about occupying this strategically located island nation.

But perhaps most disturbing of all is how the presidents involved justified the invasions. Both Bush and McKinley used God for gold. McKinley told a group of White House visitors how he

had received a divine message to occupy and annex other people's lands:

The truth is I didn't want the Philippines, and when they came to us, as a gift from the gods, I did not know what to do with them. ... I sought counsel from all sides – Democrats as well as Republicans – but got little help. I thought first we would only take Manila; then Luzon; then other islands perhaps also. I walked the floor of the White House night after night until midnight; and I am not ashamed to tell you, gentlemen, that I went down on my knees and prayed Almighty God for light and guidance more than one night. And one night late it came to me this way – I don't know how it was, but it came ... that there was nothing left for us to do but to take them all, and to educate the Filipinos, and uplift and civilize and Christianize them ... And then I went to bed, and went to sleep, and slept soundly...<sup>12</sup>

Bush's reliance on special guidance is even more marked. One week before the US invaded Iraq, Howard Fineman wrote in Newsweek:

George W. Bush rises ahead of the dawn most days, ... he goes off to a quiet place to read alone. His text isn't news summaries

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<sup>12</sup> , [Daniel B. Schirmer](#), [Stephen Rosskamm Shalom](#), *The Philippines Reader: A history of Colonialism, Neocolonialism, Dictatorship, and Resistance, International Studies*, South End Press, 1987, 22,23

or the overnight intelligence dispatches. ... It is not recreational reading ... Instead, he's told friends, it's a book of evangelical mini-sermons, "My Utmost for His Highest". The author is Oswald Chambers, and, under circumstances, the historical echoes are loud. A Scotsman and itinerant Baptist preacher, Chambers died in November 1917 as he was bringing the Gospel to Australian and New Zealand soldiers massed in Egypt (in the Army of General Allenby). By Christmas they had helped to wrest Palestine from the (Muslim) Turks, and captured Jerusalem for the British Empire at the end of World War I. Now there is talk of a new war in the Near East, this time in a land once called Babylon. ... Later that day ... Bush told religious broadcasters that ... the United States was called to bring God's gift of liberty to "every human being in the world."<sup>13</sup>

### *Where Britain led*

With good prospects of finding oil in Iran, Iraq, and other areas in the Gulf and the Arabian Peninsula, oil became the primary motive for all the British Empire's political and geopolitical activities. That it was plentiful in the region was obvious. Oil seepages were common, and history's first reference to petroleum was made 5,000 years earlier in the city of Hit, a few miles from Baghdad. But the discovery of oil in the Middle East using modern technology was first made at Iran's Masjed-I-Suleiman oilfield in

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<sup>13</sup> Howard Fineman, "Bush and God", *Newsweek*, March 10, 2003.

1908, some forty-nine years after the world's first oil well was drilled in Pennsylvania in 1859.

As soon as World War I broke out in August 1914, the British Secretary of the War Cabinet, Sir Maurice Hankey, wrote to Arthur Balfour that Iranian and Iraqi oil constituted a “first-class British war aim”.

On November 6, 1914, the British sent troops to protect the APOC refinery in Abadan. They occupied the peninsula of Fao in Iraq, and two weeks later, the city of Basra.

In March 1917, General Frederick Maude, with a superior army, was able to occupy Baghdad, famously proclaiming that the British came as liberators, not conquerors. According to some estimates, the British lost 92,000 men in the Mesopotamian campaign. But according to the book *Oil, God and Gold* by Anthony Cave Brown, the figure was 252,000. Even though the British wanted Iraq oil for themselves, and partly for the French since America owned 82 percent of the world oil reserves, the Americans continued to pile great pressure on a weakened Britain that needed American support after the war, and Britain finally gave up and assigned some shares to American oil companies. A syndicate of seven American oil companies, called the Near East Development Company (NEDC), was created specifically for the

purpose of joining TPC. In 1924, the TPC shares were revised to incorporate NEDC into its structure. TPC was then renamed Iraq Petroleum Company (IPC). Thus, America's first entry to Middle East oil was through Iraq. Also the French formed their first oil company – Compagnie Française des Pétroles (CFP) – to enter Iraq oil and take its share with IPC. The first oil well was drilled at Baba Gurgur in October 1927. When the drillers struck oil, it proved to be one of the world's biggest wells.

### *Now Iraq Oil Became an American First-Class War Aim*

George W. Bush was never known for being very bright or knowledgeable about foreign affairs. Actually when asked in May 2000 by Glamour magazine if he knew who the Taliban was he thought it was a rock 'n' roll band. An oilman and the son of an oilman, and having Dick Cheney, an oil man for Vice president and Condoleezza Rice, a board member of an American giant oil company as his National Security advisor, the George W. Bush administration was a first class administration for petroleum corporate America and its imperial drive for complete control of international oil. This was not only desired to enhance corporate profits, but mandatory for America to conduct its self appointed role as enforcer of globalization, and to secure oil for the American empire and its allies at a time when their petroleum resources had already peaked and was in its final depletion stages. Americans talked a little about peak oil but they knew a lot. The United States

was running out of oil and the Muslim world in the Middle East and Central Asia had most of the oil left. Actually, most of the world oil reserves were in downward production, except for the Middle East and Central Asian Muslim states.

The dilemma was straightforward. The oil-based civilization of America and the West was dependent on oil that they did not possess, and it existed in Muslim countries that were stubbornly refusing to fold under the umbrella of the West led by the American empire.

The agenda of the Bush administration was summarized in one line, in May 2001, only two months after he took office. He said: “What people need to hear loud and clear is that we’re running out of energy in America.” Few Americans who are made busy in their hand to mouth existence listened, much less loud or clear.

In 1999, Dick Cheney said in a speech at the Institute of Petroleum in London that the world is running out of oil, and that new discoveries are lagging behind world demand, and that the Middle East is the only place where supplies can be maintained and decreased where others are declining. He estimated a decline in existing reservoirs of 3 percent coupled with an increase in demand of 2 percent, that by 2010 “we will need on the order of 50 million

barrels a day...the Middle East with two-thirds of the world's oil and the lowest cost, is still where the prize ultimately lies.”

The MIT Technology Review wrote that if actions, not words of big oil companies is the measure for their reading the future, the fact is that they have not built in America a single refinery since 1972, and the oil tankers that leave service are more than those built by them. Actually, these functions were left mostly to the producing nations as these companies are positioning themselves for the post-oil age.

In his book *The Age of Turbulence*, former American central banker Alan Greenspan wrote in 2007:

“I am saddened that it is politically inconvenient to acknowledge what everyone knows: the Iraq war is largely about oil.” Maybe everybody knew, except the American people.”

### *Historical Parallels*

That the United States was acting exactly like other imperial powers can easily become evident from analyzing facts. Napoleon sailed with 300 ships and 40,000 troops to invade Egypt, an Ottoman province at the time. He ultimately arrived at the city of Cairo on July 25, 1798 after uneventful battles with the Mamelukes who were supposed to be defenders of Egypt on behalf of the

Ottoman Empire. The Egyptians were stunned when they saw the French entering Cairo, echoing the easy American entry to Baghdad on April 9, 2003. It was "shock and awe" 1798 style. Initially, the French soldiers bought everything more expensively to lure the population to their side. French soldiers walked the streets unarmed. So did American marines in 2003. Napoleon brought with him to Egypt thirty-six scholars to understand Egypt, its culture and change its laws from religious to secular, a strategic goal not only for Napoleon but for the West including the American missionaries. If the Americans were claiming they were bringing democracy loaded on Cruise Missiles, so did Napoleon who claimed that his invasion brought enlightenment. He ruled by proclamations, like Bremer, the first American proconsul to Iraq did. And again as George W. Bush claimed, Napoleon claimed that he came to liberate the population from their rulers' oppression! A standard cliché! Change the dates, a few names and it's the same story.

When Napoleon entered Cairo he called the dignitaries (the sheikhs). He told them that he wanted to rule the country by a group of ten and set up the laws. That is how America ruled Iraq after the 2003 invasion as they created the Central Provisional Authority, the CPA. So Napoleon had his CPA. He made the newly built palace of Mohammad Bey al Elfi, the former governor as his

headquarters. So Napoleon had his Green Zone just like Bremer made Saddam Hussein's presidential palace complex in downtown Baghdad his green zone. After the population of Cairo (and Baghdad!) woke up from their "shock and awe" they didn't like what they saw: a foreign occupier and they started their insurrection! The French responded by setting up cannons (of course they did not have F-16s) and firing them at what they determined to be the command center of resistance, the Al Azhar University Mosque. Napoleon wanted to stay the course, so he sent one general after another. He sent General Dupuy and his troops to conduct 'Operation something' to stop the demonstrations and insurrections. Riots that turned into rebellion started in October 1798. General Dupuy was killed along with many of his soldiers! Napoleon thought he got the insurgency leadership, including the chief of the Corporation of the Blind, who was executed along with four others. The French even poisoned dogs because the dogs would sound a warning as French soldiers approached. Also they demolished parts of the city including some mosques, homes, and palaces. That must have been Napoleon's Fallujah. Napoleon noted that the Ottomans, the Mamelukes and the British were forming an axis of evil to evict him out of Egypt, so he decided to declare a preemptive war, so he invaded Palestine but was defeated at Acre. He returned to Egypt and left for France secretly on August 22, 1799, his mission unaccomplished. It seems that he was rewarded for his defeat and he was proclaimed as the First Consul of France

in 1799, just like George W. Bush was rewarded for his Iraq fiasco with a second term!

General Kléber was left in charge in Cairo. He was killed by a Muslim foreign insurgent named Suleiman Alepin. A foreign Muslim insurgent! A Jihadist! Or was he from Al Qaeda - never mind that it did not exist at that time. Leave it to CNN and it will sell it to the non-suspecting American ignorant masses. Alepin was executed along with two others and Kléber was succeeded by General Jacques Menou who later converted to Islam. He became General Abdullah Jacques Menou. He married an Egyptian and had a son he named Said Soliman Murad. Maybe America can get rid of its quagmire by having General Petraeus marry a Muslim Afghani woman and settling in Kabul.

Mohammad Ali cooperated with the British to drive the French out of Egypt. He ruled for over 43 years (1805-1848), and embarked on ambitious industrialization and modernization projects, just as Saddam Hussein did during his reign. He operated a centralized agricultural system where farmers were allocated the area and the crop they should grow. The government sold the crop for a mark-up and used the surplus income for the construction of public works projects including irrigation canals, roads, dams, and

barrages as well as financing industrial projects and the military. Modern factories were built.

When Mohammad Ali's son Ibrahim Pasha proved to be a brilliant general and he waged successful wars and conquered Sudan (1820), Western Arabia, and Syria (1831/1832), Mohammed Ali entertained the idea of taking over Constantinople (Istanbul) and replacing the Ottoman Sultan, and thus, rejuvenating the Muslim empire. Saddam entertained the idea of creating a pan-Arab state.

The best way to limit Mohammad Ali's power would be to strain his financial resources. That was the best way America used to limit Saddam Hussein power after the Iraq-Iran War. His treasury was empty and the United States through its friends depressed oil prices until he thought of the Kuwait invasion as the way out. Saddam thought the United States gave him a green light for his invasion, and Mohammad Ali also thought he had tacit agreement of Great Britain for his invasions. The USA with Saddam Hussein, and Britain with Mohammad Ali had different plans.

The United Kingdom obliged the Ottomans to sign the Treaty of Balta Liman in 1838 in which free trade terms favored the UK, Mohammad Ali was asked to do likewise. Since doing so would result in reduced tariffs and would bankrupt his treasury, he refused to oblige. Consequently, British and Ottoman forces drove

Ibrahim Pasha out of Syria after its occupation and rule for about a decade. Mohammad Ali was forced to accede to British demands according to the treaty of 1841. The most significant points of this treaty were that Mohammed Ali was compelled to agree to the Anglo-Ottoman Balta Liman Free Trade treaty which established "free trade" terms. This meant that Mohammad Ali was forced to abandon his economic policies and establish new tariffs that were more favorable to imports. This resulted in the decimation of the local industries that took decades to establish. Also, limitations on the size of his army were imposed. The year after the treaty was enforced the tax arrears came down by 80 percent, Egypt's debt went up to 2.4 million pounds and Mohammad Ali had a nervous breakdown that lasted severely for one week. His health continued to decline, he died in August 1849. By 1879, Egypt's debt under the watch of British advisors went up to 100 million pounds, and Britain decided to occupy Egypt and manage its finances.

### *Mohammed Ali and Saddam Hussein*

A quick review of the old practices of the Western empires and that of the lone empire of the day may be interesting. We will compare Egypt in the 19<sup>th</sup> century and Iraq in the 20<sup>th</sup> and 21<sup>st</sup> centuries and see how striking the similarities are of the ways of the

Anglo-Saxon empires, the British of yesterday and the Americans of today:

- Both Saddam Hussein and Mohammad Ali were strong men who consolidated power, sometimes ruthlessly.
- Both came to power at least by tacit agreement of the prevailing imperial power of their day, Britain in the case of Mohammad Ali, to preserve a weak Ottoman empire, and the United States in the case of Saddam Hussein to fight local communists in Iraq that joined the government of Abdulkarim Kassem at first, and to fight the Islamic Revolution of Iran.
- Both adopted secularism, an outstanding demand of the West from Muslims
- Both built a strong army and an industrial base to support it. In both cases the build-up was blessed by empires.
- Mohammad Ali's army was used to wage wars on behalf of empires, and Saddam waged proxy wars, knowingly or unknowingly on behalf of empires, such as the Iranian-Iraqi eight years war.
- Both formed strong armies beyond the acceptable limits of the empires, and in both cases the empires demanded a reduction quantitatively and qualitatively of the armed

forces capabilities. Once they did not comply they were doomed.

- Saddam nationalized Iraq's main crop, the oil industry and Muhammad Ali managed the state-controlled system of Egypt's main crops of agriculture and imposed embargos and tariffs to protect his nascent industrialization projects. Both actions were not to the likening of the empires.
- Mohammad Ali's armed strength was checked. His fleet was totally destroyed by a coalition of allied European powers of the day. He was left with a calculated accepted strength for about a dozen years afterwards. Also, Saddam's armed forces were destroyed to a predetermined level in the 1991 Gulf War, and were left for a dozen years as well, before he was removed.
- Mohammad Ali, with British fleet guns pointed towards Alexandria, was forced to adopt a free trade agreement in 1841 where he had to remove his tariffs and allow British goods to flood the Egyptian market thus killing the Egyptian nascent industry. After occupation and with American troops all over the place, Iraq had to adopt free trade and free enterprise which bankrupted all the state companies that were operating under Saddam including

both civil and military industries resulting in hundreds of thousands of unemployed.

### *The Main Factors for Invading Iraq*

We conclude that Iraq was invaded and Saddam Hussein was deposed and then hanged for actually several reasons:

- ❖ Oil as explained above is the main factor. But additional factors existed.
- ❖ Saddam Hussein kept a state-run economy against the advice and wish of the United States that championed free trade and wanted Iraq to be opened to the multinational American companies. Iraq has eighty proven fields of which only eighteen were developed and producing with an estimated reserve of 112 billion barrels. With only these eighteen fields Iraq possessed the second largest reserves in the world. Imagine if all eighty fields were under the control and in the hands of American oil companies!
- ❖ Saddam became a regional military force beyond acceptable limits especially in a critical area that within few minutes of jet flying you could get to about 70 percent of the world oil reserves.

*America's Instant-Mix Imperial Democracy to Iraq*

After America invaded Iraq and renamed its invasion as Operation Freedom, Indian writer Roy Arundhati made a speech in New York on May 13, 2003, titled: Instant-Mix Imperial Democracy: Buy One and Get One Free. Some excerpts from the speech:

“When the United States invaded Iraq, a New York Times/CBS News survey estimated that 42 percent of the American public believed that Saddam Hussein was directly responsible for the September 11th attacks on the World Trade Center and the Pentagon. And an ABC News poll said that 55 percent of Americans believed that Saddam Hussein directly supported Al Qaida. None of this opinion is based on evidence (because there isn't any). All of it is based on insinuation, auto-suggestion, and outright lies circulated by the U.S. corporate media, otherwise known as the "Free Press," that hollow pillar on which contemporary American democracy rests.

“Public support in the U.S. for the war against Iraq was founded on a multi-tiered edifice of falsehood and deceit,

coordinated by the U.S. government and faithfully amplified by the corporate media.

“Attorney General John Ashcroft recently declared that U.S. freedoms are ‘not the grant of any government or document, but....our endowment from God.’ Why bother with the United Nations when God himself is on hand?

“So here we are the people of the world, confronted with an empire armed with a mandate from heaven (and, as added insurance, the most formidable arsenal of weapons of mass destruction in history). Here we are, confronted with an empire that has conferred upon itself the right to go to war at will, and the right to deliver people from corrupting ideologies, from religious fundamentalists, dictators, sexism, and poverty by the age-old, tried-and-tested practice of extermination. Empire is on the move, and ‘Democracy’ is its sly new war cry. Democracy, home-delivered to your doorstep by daisy cutters. Death is a small price for people to pay for the privilege of sampling this new product: InstantMix Imperial Democracy: bring to a boil, add oil, then bomb.

“Before the war on Iraq began, the Office of Reconstruction and Humanitarian Assistance (ORHA) sent the Pentagon a list of 16 crucial sites to protect. The National Museum was second on that list. Yet the Museum was not just looted, it

was desecrated....The last building on the ORHA list of 16 sites to be protected was the Ministry of Oil. It was the only one that was given protection. Perhaps the occupying army thought that in Muslim countries lists are read upside down?"<sup>14</sup>

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<sup>14</sup> <http://www.commondreams.org/views03/0518-01.htm>

## CHAPTER 6

### AMERICAN CAPITALISM: SLAVERY IN WHATEVER FORM

*“It is not too much to say that profits made from slavery and the slave trade in the years from 1600 to 1860 greatly contributed to the emergence of Western Europe and the United States as the dominant nations of the world .Although the Portuguese, Spanish, and Dutch controlled most of the slave trade to the Americas from 1500 to 1700, English and North American traders moved aggressively into the business after 1730.”<sup>15</sup>*

*“The American republic, remember, originated in a Constitution that explicitly recognized the right to own people as private property. The institution of slavery as a productive capital asset (was) protected by law.”<sup>16</sup>*

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<sup>15</sup> **Ronald L.F. Davis, Ph.D., California State University, Northridge.**

<sup>16</sup> **William Greider, *The Soul of Capitalism: Opening Paths to a Moral Economy*, New York, Simon & Schuster, 2003, 61**

## *Historical Overview*

American capitalism evolved from feudal, agrarian and mercantile capitalism to industrial capitalism. The uneven evolution of the economies and social structures between the industrial North and the agrarian South resulted in conflicting interests that resulted in the American Civil war. Industrial capitalism ruled supreme after the Civil War. As a result of the industrial revolution, mass production and economy of scale resulted in the need for more customers. American imperialism started with the American Spanish War of 1898 and an informal American empire was in the making for most of the twentieth century. To create more consumption the culture of consumerism was jointly nurtured by the moneyed interests and academia, whose institutions and universities maintained great links to the them. In many instances these universities or business schools were named after the American oligarchs themselves. A pax Americana followed a pax Britannica and global political and economical institutions were installed immediately after World War II to assist the United States in its hegemony in the Cold War order. After the United States printed more dollars than it had committed under the Bretton Woods Fixed Exchange System to finance the Korean and other military expenditures, the United States abandoned

unilaterally its commitments under the Bretton Woods agreement and floated the exchange rate which resulted in the creation of the financial economy commencing in the early 1970's. With the information and communications revolution which was coupled with finance capitalism, and after the collapse of the USSR, the United States took control and became determined to create a new world order of globalizing American capitalism and imposing it on the world. Thus came the age of globalization or globalized American capitalism. A formal American empire now replaced the American Republic.

The known socialist theorist Karl Marx, explained as far back as 1848 that the imperatives of the capitalist production would drive the capitalists to nestle everywhere, settle everywhere, and establish connections everywhere Paul Lewis wrote: "As readers revisit 'the Communist Manifesto' on its 150<sup>th</sup> anniversary, those on the left and the right have been struck by the eerie way in which its 1848 description of capitalism resembles the restless, anxious and competitive world of today's global economy."<sup>17</sup>

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<sup>17</sup> Paul Lewis, "For Many Marx's 'Manifesto' Remains Relevant", *New York Times*, June 27, 1998,  
<http://phoenix.liu.edu/~uoy/eco54/histlist/marx/marx2.htm>

This book defines globalization as the processes designed to impose the American socio-economic values and systems on the world. Therefore it becomes the right and duty of people of the world to study American capitalism history in particular, and capitalism in general to determine if such a system and its values are fit for all people and all nations, as claimed by the Bush Doctrine or in reality if it is not fit even for the majority of Americans.

The transition from feudalism to capitalism in Europe was only possible due to changes in ideology and technology. The admissibility of 'renting' money for profit, usury, or as a more gentle term was later used, interest was a change in ideology that resulted from the Reformation movement. Also, the technological innovations such as steam, the train, internal combustion engines, electricity, atomic power and man-made brain power lately, changed the methods of production up to economy of scale, and moved markets from regional to national to global. Even though globalization is a recently coined term, the process itself was in the making from as early as the Silk Road mercantilism until George W. Bush's globalism. The speed of the process however was in direct proportion with the velocity of transportation and movements. The Muslims translated the Greek and Roman sciences and literature and added to it Algebra or the zero, without which today's computations of the man-made brain power would not have

been possible. The Europeans translated the Muslim heritage and added to it also. The acceleration of movement velocity was exponential. Until the 19<sup>th</sup> century, horse was the fastest vehicle of transport. When the train was invented, movement of goods and people was increased several folds up to 150 kilometres per hour. Discovery of oil in 1859 gave the industrial revolution a cheap and powerful source of energy where one barrel of oil contained the equivalent of 25 man years of energy! Robber barons of the industrial age substituted the feudal barons as the decision makers of the system. As the capitalism name implies, those who own the capital own the system.

Even though people became conscious of the process of globalization in the last quarter of the 20<sup>th</sup> century, that was mostly because of the speed of the process dynamics which increased dramatically with the increase of technological innovations in space, communications and information technology. Whereas the globalization process was moving slowing, almost unnoticed, the recent rate of change could not escape the eye. It touched almost all aspects of one's life. Therefore we argue in this book that the process of globalization is an inevitable evolutionary process. The process itself is inevitable, but its ideology that determines its values is debatable. If globalization is a computer, its values are its software. Whose software should be used is now the issue.

The organizational behaviour science which was a recent addition to the management science in the second half of the 20<sup>th</sup> century tells us that each organization has its own culture that will govern its overall performance. The culture of capitalism since its inception till this day has been a master-servant society and a violent culture based on expansion mostly through wars and slavery during the agrarian system and slave labor under industrial and financial capitalism. Having over forty million officially classified as poor, and tens of millions having a negative net worth in the bastion of Capitalism is living proof to this slavery that may have other names. A historical review of capitalism from its early days may lead us to its culture that persists until today, in substance if not in form.

*America Discovered by Accident Through a Spanish Investment*

A century before the British and the Dutch established their East India Companies Spain was recently united .It had just conquered the last Muslim emirate in Andalusia, and expelled all Muslims and Jews at the end of the 15<sup>th</sup> century. The communication route of the Silk Road was interrupted after the Muslim Ottoman Turks occupied the East Mediterranean and Constantinople. Christopher Columbus at this time convinced

Spain to finance his adventure to get to the Indies by going west .He knew the world was round. In return for gold and spices Columbus promised to bring, he would receive the title Admiral of the Ocean Sea, plus governorship of the discovered land and 10 percent of the profits. Columbus assumed a shorter radius for the world as he thought the world was smaller than what it is and thus America was discovered as a result of miscalculations. After thirty-three days in the ocean, he hit in October 1492 an island in the Bahamas in the Caribbean Sea. Then he discovered Cuba.

Columbus was greeted by the Arawak "Red Indian" natives who brought him and his sailors, food, water and gifts. They did not carry arms. When he showed them a sword they took it by the edge and cut themselves. Columbus and his sailors were impressed by their hospitality, their belief in sharing, traits contrary to what marked the Western Civilization, which was dominated by the frenzy of money. Just as European wealth resulted at least in great part from the blundering of non-Europeans, the Western civilization that created the wealth of America was founded on genocides, racism, slavery, and wars.

Columbus noted tiny gold ornaments in the ears of those friendly natives who came to greet him. He took some of them aboard ship and insisted they show him the source of the gold. Columbus wrote in log: "As soon as I arrived ... I took some natives by force in order that they ... might give me information of

whatever there is in these parts".<sup>18</sup> The information he wanted, where was the gold?

From the first island discovered in the Bahamas, he then navigated to what is now Cuba, then to Hispaniola. Columbus wrote the Court in Madrid that he reached Asia (it was Cuba). He reported he reached an island off the cost of China (it was Haiti and the Dominican Republic). "There are many spices and great mines of gold....", he wrote. . The natives, or Indians as Columbus insisted on calling them, "are so naive and so free with their possessions ... when you ask for something they have, they never say no. To the contrary, they offer to share with anyone ... "<sup>19</sup>.He promised their majesties that in a next voyage he would bring them "as much gold as they need, and as much slaves as they ask". He added: "Thus the external God, our Lord, gives victory to those who follow his way ... "<sup>20</sup>. In the year 1495, from his base in Haiti, Columbus started a slave raid that captured 1500 native men, women and children from whom he selected the fittest 500. Those were loaded onto ships. 200 died en route. Since many slaves died and this trade was not good enough to pay back the investors for his voyages, he turned to gold mining. He ordered all persons above

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<sup>18</sup> [Howard Zinn](#), *A People's History of the United States: 1492-Present*, New York, HarperCollins, 2003, 2.

<sup>19</sup> *Ibid.*, 3

<sup>20</sup> *Ibid.*,3

fourteen to collect a certain quantity of gold within three months. They were given copper tokens to hang around their necks if they brought gold, and those who did not, had their hands cut off and bled to death. Bartolomé de las Casa, a priest, who made the voyage to the Indies wrote “History of the Indies”. In it he described that when he arrived in the Indies “there were 60,000 people living on the island, including the Indians, so that from 1494 to 1508, over three million people had perished from war, slavery, and the mines. Who in future generations will believe this? I myself writing it and a knowledgeable eyewitness can hardly believe it...” Harvard historian Samuel Eliot Morison wrote: “The cruel policy initiated by Columbus and pursued by his successors resulted in complete genocide.”<sup>21</sup>

### *Slavery in America*

One can argue that most of the wealth created in America in the pre-industrial age was based on a racist inhuman slavery institution that remained legal for some twelve generations, until it was officially ended by the passage of the thirteenth amendment in 1865 following the American Civil War. “It is not too much to say that profits made from slavery and the slave trade in the years from 1600 to 1860 greatly contributed to the emergence of Western Europe and the United States as the dominant nations of the world .Although the Portuguese, Spanish, and Dutch controlled most of

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<sup>21</sup> Ibid., 3

the slave trade to the Americas from 1500 to 1700, English and North American traders moved aggressively into the business after 1730 “<sup>22</sup> The main products of the agrarian age, cotton, sugar ,tobacco and rice were developed by enslaved Africans and natives and the wealth created was certainly not a result of enlightenment but a result of inhumanity and cruelty .Even after the American War of Independence, most of those involved in writing the constitution owned slaves as properties in their plantations, including George Washington himself. “During the great constitutional debates in the late 1780s over what the new nation would look like in the future, it was commonly assumed that slavery would gradually end soon in the next century. White southerners nevertheless managed to win from the North three significant concessions protecting the institution of slavery: (1) the federal Fugitive Slave Act of 1793, which enabled slave catchers to cross state lines in the pursuit of runaway slaves; (2) the Three-Fifths Clause agreement to count every slave as three-fifths of a free person in determining a state's representation in the House of Representatives and in the Electoral College; and (3) the continuation of the slave trade with Africa until 1808, which brought thousands of slaves to America in a rush of slave-trading

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<sup>22</sup> *www.slaveryinamerica.org/history/hs\_es\_overview.htm*

activity.”<sup>23</sup> If a slave was counted as a three-fifth of a free man for the sake of determining representation in the House of Representatives they were not allowed to vote. For all practical purposes they had no human rights. In most of the South it was illegal to teach a black man to read or write. Up to the American Revolution slavery was legal in all colonies. Since the South was basically an agrarian society 92 percent of all American blacks were in the south by 1850 and all were slaves except for 5 percent who were free.

In the first decades of the 17<sup>th</sup> century, the landlords in the American colonies satisfied their needs of forced labor by enslaving natives. As the tobacco farming spread substantially in the 1670s and native slaves became insufficient, the slave trade with Africa took off. "...small numbers of white people were also enslaved by kidnapping, or for crimes or debts." The Africans "came from many racial stocks and many tribes, from the spirited Hausas, the gentle Mandingos, the creative Yorubas, from the Igbos, Efiks and Krus, from the proud Fantins, the warlike Ashantis, the shrewd Dahomeans, the Binis and Sengalese."<sup>24</sup>

One out of three slaves died on the journey to America and it was common to have 50 percent mortality on some journeys. It was also common practice to throw the ill overboard to drown. Those

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<sup>23</sup> Ibid.

<sup>24</sup> [http://www.religioustolerance.org/sla\\_hist.htm](http://www.religioustolerance.org/sla_hist.htm)

who survived the trip were treated as property, bought and sold. The slave trade became a lucrative business that was dominated first by the Dutch and then by the British. By 1795, half of the European slave trade was dominated by Liverpool which had more than a hundred ships devoted to the slave trade. "By 1800 10 to 15 million blacks had been transported as slaves to the Americas, representing perhaps one- third of those originally seized in Africa. It is roughly estimated that Africa lost 50 million human beings to death and slavery in those centuries we call the beginnings of modern Western civilization, at the hands of slave traders and plantation owners in Western Europe and America, the countries deemed the most advanced in the world."<sup>25</sup> Slave marriage was not recognized by the colonies. Slave children were taken to work in the fields at age twelve and they were separated from their parents and sold at the discretion of their owners.

Canada had a no less brutal system than the American colonies. A woman who objected to her slavery and proposed sale and burned her master's house, was sentenced to have both her hands cut off and to be burned alive. Eventually she was just hanged. "Even in 1824, an 18-year old New Brunswick boy was 'hung by the neck until dead' for having stolen 24¢. In Upper

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<sup>25</sup> Ibid

Canada, [Ontario] theft can mean being branded with a red-hot iron on the palm of the hand or a public whipping."<sup>26</sup>

### *The War of Intendances*

In 1676, a rebellion by white frontiersmen, servants and blacks resulted in the burning of Jamestown, the Virginia capital, and the governor had to flee town. That was the Bacon rebellion which issued the "Declaration of People" in July 1676 about one hundred years before the Declaration of Independence. It was Virginia that produced many of America's Founding Fathers. Between 1760 and the Bacon Rebellion there were eighteen uprisings against the colonial governments. Blacks also rebelled from South Carolina to New York. So:

Around 1776, certain important people in the English colonies made a discovery that would prove enormously useful for the next two hundred years. They found that by creating a nation, a symbol, a legal unity called the United States; they could take over land, profits, and political power from the favorites of the British Empire. In the process, they could hold back a number of potential rebellions and create a

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<sup>26</sup> <http://duhaime.org/LawMuseum/LawArticle-45/Canadian-Law-A-History.aspx>

consensus of popular support for the rule of a new, privileged leadership.<sup>27</sup>

Many of the American founding fathers owned great slave plantations including George Washington, Thomas Jefferson and James Madison. Thomas Jefferson, principal drafter of the *Declaration of Independence*, not only owned slaves but, though he claimed to be a promoter of civil liberties, he did not conceive of the universal nature of human rights. He thought that general emancipation would destabilize society as recorded in his "*Notes on the State of Virginia*." Even though he joined the American Colonization Society in 1816, which sought to free young African Americans, he never freed any of his slaves. That probably would have "destabilized" his plantations

Historian Charles Beard in his book *An economic Interpretation of the Constitution*, gave in the early 20<sup>th</sup> century, his interpretation of the American Revolution and the social, political and economic motives of the Founding Fathers who were mostly involved in the creation of the Constitution and the Declaration of Independence. He wrote: "Inasmuch as the primary object of

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<sup>27</sup>[Howard Zinn](#), *A People's History of the United States*, Harper & Row, 1980, 59

government...is the making of the rules which determine the property relations of members of society, the dominant classes whose rights are thus determined must perforce obtain from the government such rules as are consonant with the larger interests necessary to the continuance of their economic processes, or they must themselves control the organs of government.” Howard Zinn concluded: "In short, Beard said, the rich must, in their own interest, either control the government directly or control the laws by which government operates.”<sup>28</sup> Historian Beard noted that the constitution was written not only to personally favor the Founding Fathers themselves but to favor the classes they belong to. An independent and strong federal government was needed to protect tariffs for the manufacturers, or to stop paper money to protect the money lenders, or provide federal troops to protect the land speculators in Indian territories, or federal protection against slave rebellions to protect the slaveholders, for government to tax nationwide to ensure payment of the government bonds to pay for bond holders. According to Beard, four groups were not represented in the Constitutional Convention: slaves, poor whites (indentured servants), women and men without property.

### *Slavery after Independence*

The slaveholding colonial states enacted slave codes that considered slaves, “as chattel property-human being with no

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<sup>28</sup> Ibid., 90

human rights recognized in law. .... At its heart, American slavery was a brutal system based upon physical force, threats, torture, sexual exploitation, and intimidation. Any black resisting overtly the orders of a slaveholder, or almost any white in the community, could expect immediate and often brutal retaliation. Few laws prevented slaveholders from doing whatever they wanted with their human property. Accepted methods of punishment for slaves included verbal rebukes, a few 'cuts' with a stick or riding whip, kicks to the body, boxing of ears, confinement in corn cribs or tool sheds, branding on the flesh of the hand or head with a hot iron applied for 20 seconds, and mutilation of the body by clipping the ears, breaking legs, severing fingers, and slitting tongues. In some cases, slaves were forced to wear iron chains and even iron masks on their heads for weeks and months at a time. But the most common form of slave punishment was a severe whipping. Slave codes usually defined as a moderate whipping the laying on of 39 lashes on the bare back. In some cases, the whippings could be quite severe in number."<sup>29</sup>

The increase in cotton and other agricultural production after independence caused an increase in the need for slaves. The slave population increased from 697,897 in 1790 to about 4 million in 1860. The United States Constitution did not address the issues of

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<sup>29</sup> [www.slaveryinamerica.org/history/hs\\_es\\_overview.htm](http://www.slaveryinamerica.org/history/hs_es_overview.htm)

slavery or slavery trade .The American economy was agrarian capitalism which was dependent on agricultural production and slaves. When Eli Whitney invented the cotton gin in 1793 the invention revolutionized the cotton industry as the quantity of cotton that can be processed in one day increased fifty folds! This resulted in an explosive increase in the cotton plantations and demand for slaves. Thus the slave population increased dramatically as shown in table below It is evident from the following tables that the growth of agriculture in the south was in direct proportion to the increased number of slaves. Source: Adapted from Table 2 in William H. Phillips, Cotton Gin, EH.Net Encyclopedia

Table 1: U.S. Production of All Types of Raw Cotton, 1790-1860

\*Source: Adapted from Table 2 in William H. Phillips, Cotton Gin, EH.Net Encyclopedia

YEAR	POUNDS
1790	1,567,000
1795	8,359,500
1800	36,572,500
1805	73,145,000
1810	88,819,000
1815	104,493,000
1820	167,189,000
1825	266,457,500
1830	365,726,000
1835	530,355,500
1840	673,116,000
1845	902,111,500
1850	1,066,925,500
1855	1,608,708,500
1860	1,918,701,000

**Table 3: Population of the South 1790-1860**

Year	Free White Population	Slave Population
1790	1,240,454	654,121
1800	1,691,892	851,532
1810	2,118,144	1,103,700
1820	2,867,454	1,509,904
1830	3,614,600	1,983,860
1840	4,601,873	2,481,390
1850	6,184,477	3,200,364
1860	8,036,700	3,950,511

\*Source: Historical Statistics of the United States (1970)

Census Year	# Slaves	# Free blacks	Total black	% free blacks	Total US population	% black of total
1790	697,681	59,527	757,208	7.9%	3,929,214	19%
1800	893,602	108,435	1,002,037	10.8%	5,308,483	19%
1810	1,191,362	186,446	1,377,808	13.5%	7,239,881	19%
1820	1,538,022	233,634	1,771,656	13.2%	9,638,453	18%
1830	2,009,043	319,599	2,328,642	13.7%	12,860,702	18%
1840	2,487,355	386,293	2,873,648	13.4%	17,063,353	17%
1850	3,204,313	434,495	3,638,808	11.9%	23,191,876	16%
1860	3,953,760	488,070	4,441,830	11.0%	31,443,321	14%
1870	0	4,880,009	4,880,009	100%	38,558,371	13%

Source: <http://www.census.gov/population/documentation/twps0056/tab01.xls>

Three slave rebellions were recorded in the 70 years before the Declaration of independence, and seven rebellions were recorded in the 70 years after it. Slave trade was made illegal in the first decade of the 19<sup>th</sup> century; slavery itself remained legal until the American Civil War in the 1860s. Within the decades before the Civil War the economic interests between the North and Northeast on one side and the South on the other became increasingly different. The North wanted to make the necessary legislations to favor its industrial capitalism which in many instances conflicted with the agrarian capitalism of the South. This was the actual cause of the Civil War, as slavery abolition certainly did not top the priority list of Washington. For this reason, the slavery issue was not a war objective at the start of the Civil War.

### *The Economics of The Civil War*

Roger L. Ransom, University of California, Riverside wrote (During the first half of the twentieth century, historians viewed the war as a major turning point in American economic history. Charles Beard labelled it "Second American Revolution," claiming that, "at bottom the so-called Civil War was a social war, ending in the unquestioned establishment of a new power in the government, making vast changes in the course of industrial development and in

the constitution inherited from the Fathers."<sup>30</sup> By the time of the Second World War, Louis Hacker could sum up Beard's position by simply stating that the war's "striking achievement was the triumph of industrial capitalism"<sup>31</sup>

Capitalism's unholy wars are always packaged as a patriotic cause, and so was the Civil War. Slave emancipation, even though it was not stated as a War aim to begin with, was used to hide the real motives behind the War. Causes leading to the Civil War according to the above mentioned Ransom study can be summarized as follows:

- In the first half of the 19<sup>th</sup> century the North economy was transferred to an industrial capitalism and [Louis Hacker could sum up Beard's position by simply stating that the war's "striking achievement was the triumph of industrial capitalism." The 'Beard-Hacker Thesis' had become the most widely accepted interpretation of the economic impact of the Civil War."<sup>32</sup> The economical and social

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<sup>30</sup> [Charles Austin Beard](#), [William Beard](#), *American Government and Politics*, Macmillan Co., 1927, 53.

<sup>31</sup> [Louis Morton Hacker](#), *The Triumph of American Capitalism: The Development of Forces in American History to the end of the Nineteenth Century*, Simon and Schuster, 1940, 373

<sup>32</sup> Ransom, Roger. "Economics of the Civil War". EH.Net Encyclopedia, edited by Robert Whaples. August 24, 2001. URL <http://eh.net/encyclopedia/article/ransom.civil.war.us>

developments in the first half of the 19<sup>th</sup> century developed differently in the industrial North and Agrarian South. Social, religious and political institutions were driven further apart and were divided between North and South. Even the Southern Baptist Convention, formed in 1845, was founded on the premise that the Bible sanctioned slavery. Just before 1860 all political parties were separated between South and North.

- In 1805, there were just over one million slaves. Since slaves were property and human assets they were worth \$ 300 million. By 1860, they were about 4 million and worth \$ 3 billion, a very substantial sum at that time. More than 90 percent of the slaves were in the South!
- By the mid 1830s, cotton accounted for more than 50 percent of all United States exports. Cotton was the primary product of the South and it was dependent on a slave economy.
- By 1850, the political process was totally broken and a Congressional stalemate prevented the industrial capitalists from securing the legislations they deemed necessary for industrial capitalism. Was the south capable to pass the legislations necessary for the agrarian capitalism it held?

- The North advocated for government to sponsor transport improvements especially after the Erie Canal was opened in 1823. Most of these projects were in the North, in the Great Lakes area. As the railroad barons got into the picture in the mid 1840's, they too wanted government sponsorship and subsidies for their projects. The final split on such issues between North and South was in 1860 when the Pacific Bill of 1860 failed to pass Congress as none of the Southern representatives voted for the bill. Thus, industrial capitalists and the financiers that thought the Founding Fathers devised the system of legislation as the way to get their agenda official blessing was deadlocked.
- Since staple agriculture was the main business of the South, it had to procure its manufactured goods from outside. The North wanted legislation to impose tariffs on foreign imports to protect its industries, and the South saw in such tariffs added cost to them and benefits to the industrialists of the North .They also saw that taxes and tariffs were being used to provide infrastructure to the Northern economy without any benefit to theirs.

Thus the Civil War was waged. It was a foregone conclusion who the victor would be. The population of the 11 states that made

up the Confederate States of America (CSA) was 5.5 million whites and 3.5 million slaves while the population of the Union was 22 millions of mostly whites. The Union controlled 80 percent of the navy, the riverboats, the railroads, steamships and shipyards. All odds were against the South. Industrial capitalism now ruled supreme and it could now pass all the legislations it desired.

### *Expansionism*

The United States expansionism was the heart of American capitalism. All means were used to achieve expansion. The area of the United States was doubled by the Louisiana Purchase under President Jefferson in 1803 .Mexico revolted against Spain and won its independence in 1821. Newly independent Mexico was made up of today's Mexico, Texas, New Mexico, Utah, Nevada, Arizona, California and part of Colorado. The United States assisted Texas to break off from Mexico in 1836, and it was brought into the union of the United States of America in 1845. On the night of his inauguration, Democratic President James Polk, an expansionist, confided to his secretary of the Navy that one of his primary objectives was to acquire California which was part of Mexico.

The U.S sent General Taylor to the recognized borders between Texas and Mexico at the Nueces River. The Army was instructed to go deep into Mexican territory and wait for Mexicans to fire the first shot. While waiting for an incident and getting

impatient, Polk suggested to his cabinet as recorded by Polk himself: "I stated .... That up to this time, as we knew, we had heard of no open act of aggression by the Mexican army ..... I said in my opinion we had ample cause of war and that it was impossible ..... that I could remain silent much longer ..." <sup>33</sup> Polk was promoting pre-emptive wars over 150 years before George W. Bush. But Polk got what he was waiting for, a first shot from Mexicans on the American Army on disputed Mexican territory. Here is how President Polk addressed the Congress: "Mexico .... shed American blood upon the American soil ... As war exists, notwithstanding all our efforts to avoid it, ..., we are called upon by every consideration of duty and patriotism to vindicate with decision the honor, the rights, and the interests of our country." <sup>34</sup> George W. Bush in a historical replay of Polk's tactics, provoked a war, planned for it from his first day in office, waited for an incident that did not come and used an unrelated incident on false pretenses to occupy a country :Iraq. Also just like the Congress made lots of noise about the reasons president Bush gave for going to War against Iraq, the Congress in 1846 made lots of noise about the reasons presented by Polk for the American Mexican War. Abraham Lincoln, a congressman at the time, challenged Polk to

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<sup>33</sup> [Howard Zinn](#), *A People's History of the United States*, Harper & Row, 1980  
Harper & Row, 1980, 149

<sup>34</sup> *Ibid.*, 152

specify the exact spot where American blood was shed "on American soil". But noise always remains as noise no more! It is always part of American capitalism's tactics to deflate public anger by discussing the controversial issues until they are buried. The road to California was opened. In 1848 Mexico surrendered. The Texas boundary was expanded to Rio Grande, and both New Mexico and California ceded. America's interventions in Mexico continued till this day. Mexican President Porfirio Diaz once said: "Poor Mexico, so far from God and so close to the United States!"

### *And Now: American Imperialism*

The industrial revolution was accelerated by the newly found energy of petroleum, the discovery of the internal combustion engines and electricity all in the second half of the 19<sup>th</sup> century. A severe depression started in 1893 and continued for most of the decade. The depression intensified class struggle. Theodore Roosevelt, who became a United States president in the first decade of the 20<sup>th</sup> century, wrote to a friend: "In strict confidence ... I should welcome almost any war, for I think this country needs one". Wars typically get capitalism out of its recessions and depressions. This is why the United States provoked the American Spanish War in 1898. The United States invaded Cuba and other Caribbean islands and occupied the Philippines. It was claimed that the Spanish destroyed the American destroyer USS Maine at the Harbor of Havana. After the War was over, investigations proved

that the Spanish had nothing to do with the incident of Maine. Real motives were candidly expressed by Senator Albert Beveridge. On January 9, 1900 he said: "Mr. President, the times call for candor. The Philippines are ours forever ... And just beyond the Philippines are China's illimitable markets. We will not retreat from either ... We will not renounce our part in the mission of our race, trustee, under God, of the civilization of the world ... Where shall we turn for consumers of our surplus? Geography answers the question. China is our natural customer ... The Philippines give us a base at the door of all the East ..." <sup>35</sup> President McKinley however thought he better use God, just like Columbus did before him and George W. Bush did after him to advance his war objectives. He told a group of visitors to the White House that it was divine inspiration that made him annex the Philippines as a U.S. territory: "I walked the floor of the White House night after night until midnight, and I am not ashamed to tell you, gentlemen, that I went down on my knees and prayed Almighty God for light and guidance more than one night. And one night late it came to me this way – I don't know how it was, but it came" <sup>36</sup>. Encyclopedia Britannica called the period starting with the American Spanish War as the start of American imperialism. It was called as American Colonialism by Collier's Encyclopedia.

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<sup>35</sup> Ibid., 306

<sup>36</sup> Ibid., 313

The United States used its armed forces in Latin America repeatedly in the 19<sup>th</sup> century. Defending America's intervention in Cuba in 1962 against Castro that ended in failure, Dean Rusk, the Secretary of State cited to a senate committee that the United States armed interventions against foreign countries between (1798 - 1895) occurred 103 times, amongst them interventions in Argentina (1852 - 1853), Nicaragua (1853), Japan (1853 - 54), Ryukyu and Bonin Islands (1853 - 54), Nicaragua (1854), Uruguay (1855), China (1859), Angola, Portuguese West Africa (1860), Hawaii (1893), Nicaragua (1894). The last decade of the 19th century was characterized by the almost complete expansion of the United States from the original thirteen states to include California. California was admitted to the United States Union in 1850, Minnesota in 1858, Oregon in 1859, Kansas in 1861 Nevada in 1864, Nebraska in 1867, Colorado in 1876, Washington, South Dakota, North Dakota in 1889, Wyoming in 1890, Utah in 1896. Alaska was bought from Russia for \$7.2 million in 1867, was given territorial Status in 1912, and was admitted to the United States Union in 1958. A deep economic depression occurred in the 1870's and another one in the 1890's. This period was characterized by class wars and labor strikes which resulted in the creation of a third party. The People's Party of the Populists was advancing alternate economic programs for a different America that was run by the Robber Barons and the financial community of Wall Street. Strikes and labor unrest and violence reached unprecedented proportions.

The combination of overproduction as a result of the industrial revolution, a severe economic depression and labor unrest, elites of the American Capitalist order started a debate about the need to go global beyond Latin America which would open new markets and may unite Americans with the government and with the armed forces instead of against them! As far back as 1823, and as the countries of Latin America were gaining their independence from Spain, the Monroe Doctrine was issued which made plain to the European powers that the Caribbean and beyond countries southward in Latin America were to be considered as part of the United States sphere of influence. But now in the decade of the 1890s, the American establishment started looking beyond California into the Pacific Ocean, westward towards Hawaii, Japan and China! This consensus was formed amongst the power structure including politicians, businessmen and military men. Growth-driven capitalism and the ideology of expansion are inseparable. William McKinley said the United States needed foreign markets even before he was nominated to the presidency. Columbia University's John Burgess started to play the moral justifications for expansionism even in racist terms as he said that the Anglo-Saxon race, "..... are entrusted .... with the mission of conducting the political civilization of the modern world".

Ironically this is the same justification used by Bush and his civilization's conflict crowd.

*An American Informal Empire: The 20<sup>th</sup> Century*

Senator Albert Beveridge said in 1897, "American factories are making more than the American people can use; American soil is producing more than they can consume. Fate has written our policy for us; the trade of the world must and shall be ours". The State Department explained in 1898: "The enlargement of foreign consumption of the products of our mills ..... become a serious problem of statesmanship as well as commerce". Within that same year an editorial in the Washington Post called things by their name: "Ambition, interest, land hunger, pride, the mere joy of fighting, whatever it may be we are animated by a new sensation ..... The taste of Empire is in the mouth of people even as the taste of blood in the jungle ...."<sup>37</sup>

There were two views that argued for the Empire's substance. While some thought that the United States should become a formal Empire just like all empires, another group advocated that U.S. imperial goals may be achieved by enforcing free trade policies that will ensure U.S. dominance through the economic strength of the United States. This group called for an "open door" policy. Thus, the conquest and imperial objectives of the USA through free trade

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<sup>37</sup> Ibid., 292.

became the dominant policy throughout the twentieth century. Communications, technological and management advances made American imperialism possible with an informal empire until the downfall of the Soviet Union. The American informal Empire was characterized by boom and bust economic cycles that were normally followed by wars. This characterized American political and economical life during all the 20<sup>th</sup> century and until a formal Empire was declared as the new world order for the 21<sup>st</sup> century. If free trade became a household word after the World Trade Organization was created to oversee it, the policy of free trade was always at the center of Anglo-Saxon capitalism. As far back as 1820, Britain's parliament passed a statement of principle in support of "absolute free trade". This statement was formalized in a parliamentary repeal of the Corn Laws in 1846. The proponents of these laws were the banking interests centered on Alexander Baring of Baring Brothers merchant bankers. Their new propaganda journal, the Economist, was created in 1843 to advocate free trade. At about the same time, the United States invaded Japan (1853-1854- the Perry Expedition) and American Warships demanded free trade from Japan. Business Week at a later date became the American equivalent of the British Economist.

Reconfirming itself by declaring rights of intervention in Latin America, the United States enacted the "Theodore Roosevelt

Corollary to the Monroe Doctrine", which gave the U.S. the right of unilateral intervention in Latin American countries, whenever it judges it as necessary to promote its national interests. Therefore, unilateralism was deeply entrenched in American Capitalism as early as the first decades of the 19<sup>th</sup> century as expressed in the Monroe Doctrine, and up to the 21st century as expressed in the Bush Doctrine. This doctrine of unilateral interventions was enforced in Haiti, the Dominican Republic and Nicaragua. President Wilson made a lengthy intervention in 1910 in Mexico. The "Open Door" i.e. free trade became official U.S. policy.

Based on the urgings of the U.S. financial community, President Theodore Roosevelt planned for the construction of an inter-ocean canal across Central America that would assist commerce, and easy access and free movement of American ships and Navy from the East coast at the Atlantic to the West coast at the Pacific. The proposed territory on which the canal was located belonged to Columbia which was reluctant to give the U.S. the access it required. The U.S. engineered a covert operation in collusion with a French company that was eager to sell its concession to the United States. As a result of this revolution, an independent State of Panama was carved from Columbia; the construction of the Panama Canal was completed in 1914.

### *America : Capitalism 'S New Core State*

The British Empire's economic and military power became increasingly challenged by Germany and it began to lose the prerequisites for an empire. Capitalism as the name suggests rotates around capital and its owners and has no national loyalty. Global capitalists and financial barons always are dependent on a core state that embraces and protects their interest. America became capitalism's new core state .The financial center of London, called the City of London, and in coordination with Wall Street started a planned transfer of imperial power from England to the United States. Twin institutions were created in America starting with a previously non-existent American central bank. The Federal Reserve System was created in 1913, which was based on exactly the same model as the Bank of England, the British Central bank. It is note-worthy to notice that its creation was only few months before WWI. Without such an American central bank, the United States couldn't have administered the finances and loans that were provided by Wall Street to the WWI efforts. The World War I was both a military and a global economic event that resulted in the expansion of the U.S economy even though President Wilson claimed it was a war to end all wars. For the United States to assume the new global financiers horse, an American central bank creation became mandatory.

## *CHAPTER 7*

### *THE COLLAPSE OF GLOBAL FINANCE*

#### *CAPITALISM*

“And Jesus went into the temple of God, and cast out all them that sold and bought in the temple, and overthrew the tables of the money changers, and the seats of them that sold doves. And said unto them, It is written, My house shall be called the house of prayer; but ye have made it a den of thieves.”

Mt. 21:12-13 (King James Version)

Since the dawn of history, from the time of Jesus thousands of years ago until the days of Bernard Madoff and his likes in Wall Street, and his 64 billion dollar theft, money changers remained thieves, except they perfected their theft trade using the latest computers and rocket science programmers to maximize their theft. Their manipulations and trickeries became more sophisticated but their culture was never changed. They employed ‘hired hands’ they called economists, as the priests of their excesses, who theorized their creed that ‘greed was good’ or that: “Avarice and usury and precaution must be our gods... for only they can lead us.... into daylight” as Keynes argued in his famous work, *The General Theory of Employment, Interest and Money*.

One Grand Priest is made to serve their purpose one day, as Keynes, and another Grand Priest, may be a Milton Friedman another day, who is aggrandized to promote another purpose, never mind that he will claim that all the priesthood of his predecessors was wrong, lock, stock and barrel, and salvation comes with his monetarism.

The man how who acted as the de facto central banker of the world, and who ran the American economy as Chairman of the federal reserve for 18 ½ years spanning for the major portion of the deregulated conservative era, said this in his October 23, 2008 testimony in the Congressional Committee of Government Oversight and Reform: “We are in the midst of a once-in-a century credit tsunami.” According to CBS News, Alan Greenspan, “denied the nation's economic crisis was his fault ... but conceded the meltdown had revealed a flaw in a lifetime of economic thinking and left him in a ‘state of shocked disbelief.’ Greenspan, 82, acknowledged under questioning that he had made a ‘mistake’ in believing that banks, operating in their own self-interest, would do what was necessary to protect their shareholders and institutions. Greenspan called that ‘a flaw in the model ... that defines how the world works.’”

The flaw that Greenspan discovered, in the economical model he was leading is nothing less than the admission that Adam Smith's 'invisible' hand to adjust markets does not exist, subsequently the theory behind all Greenspan's capitalist system is flawed.

Ben Bernanke, was brought into the eye of the storm, not by coincidence, but because his MIT doctoral thesis argued that in depressions, as the Great Depression, banks must be saved at all cost. He, and another former Wall Street Banker, a former CEO of Lehman Brothers and a Secretary of Treasury for George Bush, lived up well to open taxpayers check books to bail out the very same bankers that got the better of tax payers in the financial tsunami, as the crisis was called by Alan Greenspan.

### *Inside the Meltdown*

To describe the size of the crisis encompassing the American and global financial markets, the following is transcribed from a program that aired on February 17, 2009 on the American television network PBS: Frontline - Inside the Meltdown 2009 02 17-

On September 18th, 2008, the secretary of the Treasury, Henry Paulson, and the chairman of the Federal Reserve, Ben Bernanke, arrived for an emergency meeting at the Capitol. They went to Nancy Pelosi's office where there was a meeting of the

senior legislators from both parties in both the House and the Senate. Sen. Christopher Dodd (D-CT), Banking Committee Chairman said: “It was obviously a big meeting. I had no idea I was going to hear what I heard. We turned it right over to Ben Bernanke and Hank Paulson to describe.” Paulson and Bernanke said they needed the authority to use \$700 billion dollars to unstop the credit markets.

Sen. Christopher Dodd said: “...sitting in that room with Hank Paulson saying to us, in very measured tones, no hyperbole, no excessive adjectives, that unless you act, the financial system of this country and the world will melt down in a matter of days.” “Bernanke then said, ‘If we don't do this tomorrow, we won't have an economy on Monday.’” Sen. Dodd added: “There was literally a pause in that room where the oxygen left.”<sup>38</sup>

Here they are, law makers including the Chairman of the banking committee, and the chairman of the financial committee among others, who said they had no idea that they would hear what they did, yet they were requested on a Friday to make a decision to bail out Wall Street with \$ 700 billion, no questions asked and no study submitted but the good word of Paulson, the former

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<sup>38</sup> Frontline Interview.

<http://www.pbs.org/wgbh/pages/frontline/meltdown/etc/script.html>

Goldman Sachs CEO, and Ben Bernanke who, as is customary, owes his job to Wall Street. American democracy seems to be working at its best!

Many analysts blamed the Federal Reserve, America's central bank, and its policies in a deregulated Reaganomics era within the past generation. The Federal Reserve building in Washington was built just like a temple and it surrounds itself with mystique well described by William Greider:

“Both the press and politicians defer to the mystique of the Fed. They tend to regard it reverentially as a technocratic and apolitical governing institution composed of gnomish economists who decide arcane issues too complex for the rest of us to understand. This deference enhances the central bank's power. The overall ignorance allows the Fed to act without being held accountable for its one-sided judgments or grave errors.<sup>39</sup>

Although money is so critical to our economic activities and profoundly affects our life, it is the least understood. This is a paradox that seems to go well with those who dominate and benefit from this money mystique. Related subjects to money are numerous and critical, yet they are seldom nowadays publicly discussed or

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<sup>39</sup> [William Greider](#), *Come Home, America: The Rise and Fall (and Redeeming Promise) of Our Country*, Rodale, 2009, 44

appear on the political agenda of both political parties, contrary to the 19<sup>th</sup> century where money issues topped the political agenda. They discussed the need for a central bank; who should create money, private interests or the government; what is the role of the Treasury Department; should money be created through banks or directly by the government; should money be backed by gold, silver or both, or should government issue fiat money without any cover? After the populists formed their own party which did not trust both political parties and issued revolutionary proposals about the various issues of money, they were subverted through their joining the Democratic Party which maneuvered them into its mainstream politics-as-usual. Americans were kept busy in their hand to mouth daily distraction and these issues were all but forgotten. They only remember that something is wrong when they feel inflationary effects, or lose their jobs and homes.

### *The Federal Reserve: A Hybrid Cartel*

One of the hotly debated subjects by the People's Party was the issue of the creation of money and central banking. The People's Party became an influential third party that challenged the very principles of capitalism as well as the banking and money interests, which they called the money trust. Even though the People's Party was tricked into joining the Democratic Party, the public at the turn of the century was still very concerned with these

issues. In the first decade of the 20<sup>th</sup> century many banks were folding and people were losing their life savings. They were concerned over the concentration of wealth and power with the bankers and financiers of New York. Politicians, who promised to stand up to the 'money trust', were elected, including President Wilson who campaigned against the money trust even though he was selected, financed and surrounded by the money trust. His campaign promises were made to get elected and then be broken!

The bankers' preemption plan got Wilson elected and then they decided to draft, in secrecy of course, the bill to create the entity to control the money trust and pass it as law in Congress. They got Senator Nelson Aldrich as the Republican whip in the Senate, and he was selected as the chairman of the National Monetary Commission, a special committee created by the Congress to propose recommendations on how to regulate 'the money trust'. Aldrich was a business associate of J.P. Morgan and the father-in-law of John Rockefeller Jr., who named his son Nelson Aldrich Rockefeller, who later became a vice-president to President Nixon.

Aldrich and six others decided to hold a secret meeting in Jekyll Island off the coast of Georgia on a November day in 1910. It was an island privately- owned by the rich bankers of New York who owned their own mansions and a private club for the group. It

was their winter resort away from the freezing winter of New York.

The other six participants in the secret meeting were:

- Frank Vanderlip, the president of the National City Bank of New York, the largest bank in America at that time, representing the financial interests of William Rockefeller and the international investment firm of Kuhn, Loeb & Company.
- Abraham Andrew, who was assistant Secretary of treasury.
- Henry Davison, a senior partner of the J.P. Morgan company.
- Charles Norton, the president of the First National Bank of New York.
- Benjamin Strong, the head of J.P. Morgan's Banker's Trust Company. It was this banker, Benjamin Strong who became the first chairman of the Federal Reserve, the system that was created to control the influence of banks!
- Paul Warburg, born in Germany, a naturalized American citizen, a scion of the Warburg banking family who was fully versed with central bank practices in Europe. He was the representative of the Rothschild banking interests in England and France and a partner in Kuhn, Loeb & Company, and a brother of Max Warburg who heads the

Warburg banking interests in the Netherland and Germany.  
Warburg was the master strategist for the Federal Reserve project.

The financial houses and banks represented by these seven amounted to 40 percent of the wealth of the world in 1910!

These seven drafted the bill to be presented to Congress that was meant to control them! They denied they ever met initially, and of course they leveled 'conspiracy theory' charges against those who claimed that the bill was the bankers own draft. Few years or decades later they revealed their secret in their biographies or in newspaper articles. Frank Vanderlip wrote an article in the Saturday Evening Post on February 9, 1935. He wrote:

I do not feel it is any exaggeration to speak of our secret expedition to Jekyll Island as the occasion of the actual conception of what eventually became the Federal Reserve System. We were told to leave our last names behind us. We were told, further, that we should avoid dining together on the night of our departure. We were instructed to come one at a time and as unobtrusively as possible to the railroad terminal on the New Jersey littoral of the Hudson, where Senator Aldrich's private car would be in readiness attached to the rear end of a train to the south. Once aboard the private car we began to observe the taboo that had been fixed on last names. We addressed one another as Ben, Paul, Nelson and

Abe. Davison and I adopted even deeper disguises abandoning our first names. On the theory that we were always right, he became Wilbur and I became Orville after those two aviation pioneers the Wright brothers. The servants and train crew may have known the identities of one or two of us, but they did not know all and it was the names of all printed together that would've made our mysterious journey significant in Washington, in Wall Street, even in London. Discovery we knew simply must not happen.

When Vanderlip was asked why the secrecy, he answered: "If it were to be exposed publicly that our particular group had gotten together and written a banking bill, that bill would have no chance whatever of passage by Congress."<sup>40</sup>

It is appropriate to ask at this point if such scheming was a conspiracy or a conspiracy theory. Can't we assume that these elites and their predecessors invented the 'conspiracy theory' as preemption of free thought to investigate their conspiracies? Can't we say that the conspiracy theory is a conspiracy?

The bill that was supposed to break the power and control of the 'money trust' was written by 'the money trust', a living example of the mechanics of American democracy. When competitors meet

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<sup>40</sup> [Michael A. Kirchubel](#), *Vile Acts of Evil - Volume 1 - Banking in America*, Mike Kirchubel, 2009, 108

to coordinate their activities against competition and work together, the group is called a cartel .So, what emerged was a legislation drafted by this banking cartel and a member of the secret team, Benjamin Strong was appointed as the head of that cartel which was called the Federal Reserve System. This central bank is owned by the private member banks, and to own the legitimacy of the power of the government, the word federal was added and traded for giving the president the right to name the Chairman and few members. After all, presidents themselves get to become presidents, through the campaign money of this money trust.

The political maneuvering to get the bankers bill through Congress is typical of American ‘deformed’ democracy that sustained form but lost substance.

Against the advice of Paul Warburg, the first draft of the Federal Reserve Act was advanced as the Aldrich Bill since its sponsor was the Chairman of the National Monetary Commission. It was the ego of Aldrich who assumed that he was well respected and wanted to have his name in history books as the architect of America’s central bank. Warburg advised Aldrich that his name would associate the bill with big business and the bill would be voted down. And that’s what happened. The ‘money trust’ chose a banker from the Democratic Party, senator Robert Owen, and Carter Glass in the House, to sponsor the bill after they did some cosmetic changes, removed Aldrich’s name, and made it the Glass-

Owen bill. To sway the anti-business opinion towards accepting the new bill, Aldrich and Vanderlip made several deceptive press interviews criticizing the bill as anti-business. For this reason and since the image of the Democratic Party was that of a party of the people, the bill passed in late 1913. Benjamin Strong became the first chairman of the Federal Reserve System. If this sounds like a Hollywood movie, Hollywood is owned by this same 'money trust' and is and was its mouthpiece. The 'money trust' left nothing to chance. To ensure passage of their bill, these people paid for 'study clubs' across the country to promote the bill. They printed brochures and pamphlets, they donated money to well reputed universities and financed professors to write about the virtues of their Federal Reserve bill. Corporate media then and now was at their service.

In order for the bankers cartel to have the 'force of law' on their side, they needed the government to be their partner in this cartel, to enforce their cartel. So the Federal Reserve was created as a hybrid cartel made from a partnership between bankers and the government. The president appoints the Chairman but always in consultation and approval of Wall Street. The Fed is owned by the member banks, which in turn are privately owned. The name 'Federal' was added for deception as the Fed operates on its own, away from any public scrutiny.

## *Boom , Bust and Wars*

The money trust argues that the Federal Reserve System, America's central bank, was needed to stabilize the economy from its boom and bust cycles. In fact, as we will see, this was never the case. The United States was in a state of recession for several years from 1910 till 1914, and global money interests were planning for a big war. The creation of the American Central bank was a necessity to manage and control the interests of the bankers away from the war zone, especially since the finances of Britain were in shambles and it was an open secret that America would finance the war. Also, it was apparent to the global financiers and their banking institutions that the British Empire was losing steam and losing the prerequisites of empires. America became the new global financiers' imperial horse. Many twin institutions were created between Britain and the U.S. to coordinate the transfer of imperial corridors of power from the UK to the USA . The Central Bank was a first step and it was created similar to the Bank of England, which also was not a government institution as it also was owned by private banks.

Of course, it is obvious that the Federal Reserve did not accomplish its alleged mission of economic stabilization as recessions and bust and booms as well as the Great Depression, including today's economic crisis, occurred on its watch, and to a

great extent as a result of the Federal Reserve policies. But the Fed did extremely well in overseeing and facilitating the bankers' interests throughout its history including allocating taxpayers' money to bail out Wall Street. Paul Volcker himself stated in no ambiguous way that the Fed constituency is Wall Street not Main Street. Volcker, recently appointed as chief economic advisor to Barack Obama, was the Chairman of the Federal Reserve in the 1980s and his deflationary economic policies were hurting farmers in particular. In February 1985, a delegation of state legislators from thirteen farm states visited Washington to explain to Volcker that his policies were hurting the farmers. According to the *Secrets of the Temple* p670 Volcker's answer to the legislators was: "your constituents are unhappy, mine aren't." Volcker's happy constituents of course are the bankers of Wall Street. Economic instability after the Fed creation actually reached unprecedented levels by the end of the First World War and it culminated in the Great Depression a few years after its creation.

No sooner had the First World War ended, that a recession occurred in 1918-19, caused by the stoppage of war production and the influx of the returning troops. Relieved only for six months, a sharp recession returned in 1920-21, which recorded the sharpest decrease in whole sales prices of 36.8 percent. That was the sharpest fall in American recorded history. The recession came back in 1923-

24 and again in 1926-27 until the big one hit, the Great Depression in August 1929. This depression lasted for more than one decade and was only relieved by U.S. entry into the Second World War.

Again the influx of returning troops and the stoppage of war production caused a recession just right after the war stopped which lasted for ten months in 1945. The recession returned in 1948-49 and it was relieved by the 1950 American War in Korea which lasted till mid 1953. As soon as the war ended, a recession was recorded in July 1953 which lasted for 10 months. The economy went into war production in most of the 1960s, even though a recession occurred in 1969-70 and in 1973-75. The 1980s witnessed two recessions between 1980 and 1983.

It is interesting that in July 1990 the United States entered a deep recession. Within that month, American ambassador to Iraq advised Saddam Hussein while they were discussing Iraqi-Kuwaiti border disputes, that the U.S. would not interfere in Arab-Arab disputes, which he interpreted as a green light for him to invade Kuwait. A few days later, on August 2, 1990 Saddam invaded Kuwait and the American intelligence that saw 100,000 troops moving to Kuwait advised the president and nothing was done. A new world order was planned and 500,000 troops were mobilized. Forty days of war was good enough to get the United States out of its recession. The Desert Storm War ended the last week of February 1991, and the U.S. recession ended in March 1991.

The United States was forcing its globalization and brand of Anglo-Saxon American capitalism on most of the world during the 1990s, and United Airlines was shipping plane loads of 100 dollar bills to Russia. Billions of dollars were in circulation soon after the collapse of the USSR, and that money was an interest free loan from the treasury of the U.S. as long as they kept it in their country!

The decade of the 1990s witnessed a boom of illusions in which Wall Street and big multinational corporations benefited while most of the medium and small companies suffered. This illusion was busted in 2000 as the high tech stock market collapsed. A September eleven was needed and the bubble of 2000 was covered by the biggest bubble in history.

A war followed, as one might expect after economic recessions, and this time it was conveniently called a War on Terror. It was announced that this war was perpetual and borderless. No evidence is needed to declare wars or invade countries, as preemption is a God given right to Mr. George W. Bush and his America. War was waged in Afghanistan and Iraq was invaded. The crash of the high tech dot.com bubble was covered by a bigger bubble, and in 2007 the subprime real estate bubble burst followed by the banking system failure, and the end is not yet in sight as this chapter is being written.

If fighting inflation was one of the Fed functions, the central bank failed also in doing a good job at that. Murray N. Rothbard in writing about inflation stated that rather than governments reverting to taxation which is unpopular, printing money and causing inflation is an easier and more popular way. He wrote that “if government can find ways to engage in *counterfeiting*--the creation of new money out of thin air, it can quickly produce its own money without taking the trouble to sell services or mine gold. It can then appropriate resources slyly and almost unnoticed, without rousing the hostility touched off by taxation. In fact, counterfeiting can create in its very victims the blissful illusion of unparalleled prosperity.... Counterfeiting is evidently but another name for inflation--both creating new ‘money’ that is not standard gold or silver...”

According to Rothbard, inflation “redistributes the wealth in favor of the first-comers and at the expense of the laggards in the race. And inflation is, in effect, a race--to see who can get the new money earliest. The latecomers--the ones stuck with the loss--are often called the ‘fixed income groups.’” It is those unfortunate who are the most affected by economic policies and they are the most ignorant about it.

Governments regulate the private banks by controlling their reserves, which is their reserves at the central bank; normally it was 10 percent of their deposit liabilities. By pouring reserves into the

banking system, and lowering the reserve ratio, the central bank can stimulate inflation. Reserves are added by the central bank by buying assets on the market, such as government securities. Generally, a central bank's function is supposedly to control inflation and stabilize the economy. In practice the central bank or the Federal Reserve System of the USA managed inflation and the economy in favor of the money interests. Income for the general public has remained stagnant or negative in the past thirty years, while wealth was aggregated in the hands of the few who multiplied their fortunes in many folds. In the U.S. it is noted that the instability and inflation, if anything, worsened after the creation of America's central bank.

### *The Gold Standard and Fiat Money*

The historic selection of gold as standard became the stable and desirable monetary medium subject only to market forces. And it put limits to governments' abilities to create inflation through its printing presses. It helped maintain countries balance of payments in equilibrium.

The warring parties of World War One had to severely inflate their paper and bank currencies beyond their gold reserves, and had to go off the gold standard, except for the United States which was a

late entrant to that war. The world was mostly on gold standard for most of this time. Major national currencies such as the pound, the dollar or the franc, were no more than a name for a certain quantity of gold. The pound was equal to  $1 \frac{1}{4}$  of a gold ounce, while the dollar was  $\frac{1}{20}$  of a gold ounce. Thus, a fixed exchange system among currencies prevailed. One pound of gold was defined as 16 ounces. Increasing money supply was controlled by gold availability not at the discretion of governments' printing presses. The dollar redeemability with gold continued unaffected. After the war, the Pound was trading in the free foreign exchange market at \$3.50 to the pound instead of the official 4.86 levels. Rather than to devalue its currency, and in a desperate move to maintain the 'great' in Great Britain, and its currency as the world reserve currency, it returned to the gold standard after the war maintaining its pre-war exchange rate with gold. In a cumbersome arrangement reached in the 1922, a new international monetary order named the Geneva Conference of 1922 was established, in which United States dollars remained redeemable in gold, while Britain restricted its return to the gold standard by restricting redemption to gold for large amounts to maintain international trade, thus obliging the ordinary citizen to continue the use of its paper currency. Also, the UK would redeem such large lots in dollars, which are deemed in gold. This order continued until 1931 when Britain had to go off the gold standard again during the Great Depression followed soon afterwards by the United States.

In the decade of the 1930s the international economic and monetary chaos deteriorated into floating exchange rates, competing devaluations, trade wars, and currency controls. Governments stopped respecting each other's currencies and barter amongst governments took place in international trade. The international monetary system broke down!

The United States went off the gold standard in 1933-1934 in its unsuccessful attempt to go out of its Great Depression. Even strict laws were issued prohibiting American citizens from owning gold in the U.S. or abroad. The U.S. redefined its dollar at 1/35 of a gold ounce and remained redeemable in gold to foreign central banks and governments only. America could afford this as the economic turmoil of Europe kept most of the gold flow towards a more comparatively stable USA.

During World War Two, the Study Groups led by Isaiah Bowman from the CFR, paid for by David Rockefeller, met secretly with appointed staff from the State Department and the Treasury Department, to discuss a new financial and political order after the end of the war in which now the United States would assume all the imperial functions for capitalism from Britain. The Group recommended the creation of the International Monetary Fund(IMF) and the World Bank(WB) and a free trade organization

that initially was GATT then matured into World Trade Organization. The Group suggested a United Nations to supersede the League of Nations on the political side.

This new international monetary order which was conceived by the Group was pressed and driven by the United States at an international conference at Bretton Woods in 1944 which adopted the Group's recommendations. The Bretton Woods agreement was ratified by Congress in 1945. Whereas the Geneva Agreement of 1922 in effect displaced the British pound as the key currency with the dollar, since foreign currencies were redeemed by Britain in dollars, thus still keeping the pound as a key currency, the Bretton Woods Agreement left the dollar as the only key currency and was declared redeemable in gold at thirty-five dollars to an ounce. A fixed exchange rate was set for all currencies against the dollar, and dollar in effect replaced gold as the reserve for central banks, which they could exchange to gold at the agreed fixed rates.

Bretton Woods worked for a while. But by the 1950s and 1960s, the undervalued dollar after World War II became overvalued due to the inflationary U.S. policies, and Western Europe and Japan became concerned about being forced to keep these overvalued dollars. De Gaulle, advised by Jacques Rueff, a classical gold-standard economist, spearheaded the complaints and uneasiness on the state of the dollar. Frequent complaints by Europeans were neglected by the Americans so Europeans became

inclined to use the Bretton Woods option of exchanging their dollars for gold at the stated rate of thirty-five dollars to the ounce of gold and they started to exercise that option. As a result the gold reserves of the U.S. came down considerably from \$ 20 billion after the war to \$ 9 billion by the late 1960s. At that time there were at least \$ 80 billion of unwanted dollars in Europe that were unwanted, that became known as Eurodollars. Even though great political pressure was exerted by the U.S. on European countries, the Bretton Woods system became increasingly in trouble until it unraveled rapidly in 1968.

As Europeans and others started to redeem their dollars at the official rate in the free gold markets of London and Zurich, and as confidence was lost in the American dollar, the U.S. made a fundamental change in March 1968 by creating a two-tier gold market and the U.S. stopped accepting redemption of free market gold at thirty-five dollars/ounce. Simultaneously, the U.S. pushed for a new world paper reserve, the Special Drawing Rights (SDRs) hoping they would eventually replace the gold standard. A new international paper currency was to be issued by an envisioned new World Reserve Bank. This vision did not go very far.

The two-tier gold market did little more than buy the Bretton Woods system a few years before its collapse, as gold prices went up

in the free market, inflation continued, gold continued to flow outside the United States and world confidence in the dollar continued to decline. On August 15, 1971 President Nixon announced the death of Bretton Woods after many Europeans threatened to redeem their ever increasing dollars in gold. The dollar became fiat money without any gold or silver cover and a new international monetary system was unleashed.

What to do? Attempting to restore an international monetary order lacking a link to gold, the United States led the world into the Smithsonian Agreement on December 18, 1971 which was hailed by Nixon as 'the greatest monetary agreement in the history of the world'. Since this agreement tried to do the undoable, a fixed exchange system without gold, the new system crashed by early 1973 and gold prices skyrocketed. The world shifted into fluctuating fiat currencies and Friedmanite economics took over, by design or maybe by default.

### *And Now...A Systemic Failure*

The recent financial meltdown of financial markets and the breakup of the system was called differently by different people depending upon their backgrounds and ideological orientation. Some called it a recession, others deep recession or mild depression or depression or financial tsunami, and several other names except the real name: a systemic failure of the market economy and the

monetary system. Everybody agreed that finance capitalism was in deep trouble, much deeper than politicians and Wall Street were willing to admit, and almost all agreed that things would never be the same again. Many concluded that 'change' is needed. That was also the slogan of the Obama campaign. Most critics did not opt for a 'cosmetic' establishment change but radical change that addresses the ills of the American politics and society.

Finance capitalism which was unleashed savagely by the cancellation of the fixed exchange system of Bretton Woods, and the cancellation of the gold cover to the dollar catalyzed by deregulation, had been undergoing one crisis after the other, each crisis becoming more serious and more difficult to control. The decade of the seventies in the twentieth century experienced runaway inflation. In the eighties there were the October 1987 crash, the implosion of the junk bond market (which lived up to its name: junk) and the savings and loan association collapse which caused American taxpayers hundreds of billions of dollars for these financial institutions bailout. As the United States pressed its brand of economics on the rest of the world after the collapse of communism, corporate America assaulted other economies savagely. The 1990s witnessed the collapse of the real estate and stock market bubble, and the Mexican crisis in 1995. The same year witnessed the collapse of Barings Bank and the Japanese banking

sector carried \$1.2 trillion in bad debt exposure. Southeast Asian countries experienced a 50 percent to 80 percent collapse in the value of their currencies due to currency speculators manipulations in the summer of 1997. They were devastated and their banking system broke down. In the fall of 1998, LTCM (Long-Term Capital Management) collapsed and against the conventional wisdom preached to other countries to leave failing banks and institutions to fail, it was the Federal Reserve of New York that managed the LTCM bailout claiming that if it failed it would have taken with it the whole capitalistic order. The high tech meltdown of 2000 and the stock market implosion caused \$ 7 trillion of paper losses to the United States and \$ 2 trillion in Europe and Asia. That was followed by several large corporate bankruptcies including Enron. German economist Lothar Komp wrote on this:

The American government, incapable and unwilling to act against the systemic breakdown, is seeking its salvation instead by means of military adventures. The showcase corporations of the “New Economy” have revealed themselves to be swindlers and impostors.

He concluded:

It is high time that the procrastination over a declaration of global bankruptcy be ended, to make the world’s governments free to take the pathway to a completely reconstituted new worldwide financial, currency, and economic system.

After the Southeast Asian crisis, George Soros wrote in his book, *The Crisis of Global Capitalism*, that “Nazi and communist regimes ... had a common feature: They laid claim to the ultimate truth and they imposed their views on the world by the use of force”. That was probably in response to the Washington Consensus trying silently to force the American brand of capitalism on the world before George W. Bush openly said you are with us or against us. The United States now is laying claim to the ultimate truth and wants to force the world to embrace its values arguing they are good for everybody everywhere, and it is imposing these values using all the resources it possesses, including military means.

What Soros wrote carries special significance because he is a high profile figure from the global financial community. He is known to have taken advantage of the system’s every weakness, and known for his speculations not against Mexico and Southeast Asia but also against the Bank of England. In the preface of his book he wrote:

I was explaining why the global capitalist system was unsound and unsustainable, but until the Russian meltdown on August 1998, I did not realize that it was in fact disintegrating.... The global capitalist system is based on the belief that financial markets, left to their own devices, tend towards equilibrium.... This belief is false. Financial markets are given to excesses and if a boom/bust

sequence progresses beyond a certain point it will never revert to where it came from. Instead of acting like a pendulum financial markets have recently acted more like a wrecking ball, knocking over one economy after another.<sup>41</sup>

Compare this to what Alan Greenspan told Congress in October 2008 that “the meltdown had revealed a flaw in a lifetime of economic thinking ... Greenspan, , acknowledged under questioning that he had made a ‘mistake’ in believing that banks, operating in their own self-interest, would do what was necessary to protect their shareholders and institutions”.

Two icons of the capitalist order, a Central Bank Chief for 18.5 years, and an accomplished financier who could take on even the bank of England said the same thing: that the finance capitalism has disintegrated and was operating on false assumptions.

Soros said that his views about the crisis of capitalism were summarized in a testimony to the Congress he delivered on September 15, 1998, after the Southeast Asian and Russian crisis. Following the financial collapse of Southeast Asia, many considered Soros himself as the main cause for the economic collapse. The result was that in Indonesia for instance, “most of the gains in living standards that accumulated during thirty years of Suharto’s regime have disappeared. Modern buildings, factories and infrastructure remain, but so does a population that has been

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<sup>41</sup> [George Soros](#), *The Crisis of Global Capitalism: Open Society Endangered*, PublicAffairs, 1998, xi, xvi

uprooted from its rural origins.” Soros described the global capitalist system as a circulatory system “sucking up capital into the financial markets and institutions” that are its center, or its heart, “and then pumping it out to the periphery” directly as credit or portfolio investment or indirectly through multinational corporations. “The system is very favorable to financial capital..”

“The few” at the center retain profits and power, and they decide who should live and prosper and who should not. Soros argues that as long as money “of others” keeps moving from the periphery to the center and as long as “the few” pump some of the money back, things are okay. But when the periphery is distressed beyond its elasticity limits, as normally is the case as a result of financiers’ greed, the whole system becomes endangered. What is needed, thought Soros, is an institution to protect “the few” against themselves and their greed, something like an international Federal Reserve System. The global system suffers from several flaws, said Soros. The banks’ and financial institutions’ balance sheets do not reflect the real exposure of these institutions as “banks engage in swaps, forward transactions and derivative trades among each other and with their clients. These transactions do not show up in the balance sheets of the banks”.

Soros added in his testimony to the U.S. Congress: “There is an urgent need to rethink and reform the global capitalist system.”

Market fundamentalism, unleashed by Reagan and Thatcher “has rendered the global capitalist system unsound and unsustainable”. One good reason is because we have a global economy without a global society. “This situation is untenable.” Soros warned: “Monetary values and transactional markets do not provide an adequate basis for social cohesion.”

There is a conflict of interest between the global capitalism’s center and periphery countries. In a crisis, lenders normally have little to lose. What they may do is to roll over their loans, extend dates of maturity, but never abandon their loans. Often debtor countries are forced by IMF conditions to assume liability for commercial banks (as in Chile in 1982, in Mexico in 1994, and Southeast Asia in 1998). Even if the debtor countries do not pay their obligations in full, they will be obliged to pay to the maximum limit possible, which will obstruct their development investments. Lending at the periphery carries very little risk. Although the international debt crisis of 1982 was caused by the decision of the center country (U.S. raising interest rate) it was the debtor countries at the periphery that had to pay for it. Also, the Southeast Asian crisis was caused by speculation of funds, which was a result of the rise in the U.S. dollar. The economies of these countries were devastated for reasons totally beyond their control. Since capital tends to return home - the center - in times of uncertainties it will be the periphery countries that will be burned most heavily and disproportionably. The voices of Wall Street and

City of London claim that speculation is healthy as it corrects markets and makes them more efficient. Not so, said Soros. “When I sold sterling short in 1992, the Bank of England was on the other side of my transactions and I was taking money out of the pockets of taxpayers.” Soros concluded that market fundamentalism undermines the democratic political process and the institutions of representative democracy are endangered, “and civic virtue, once lost, is difficult to recapture”. Soros challenges the virtue of having money for the sake of making more money. Money, only when it is spent becomes a means to an end. But when money’s object becomes making more money, competition becomes so strong “that even the most successful are reduced to the position of having to fight for survival”.

In plain language Soros is saying in his 1998 book that finance capitalism as it is, is acting as a wrecking ball against economies, it is unattainable and it is a license to steal, just like what he did when he speculated against the Bank of England was “taking money out of the pockets of taxpayers”. Soros did not make his statements out of high moral ground but because, as he said, he is worried that as it stands, the system is destined for self destruction.

In Soros new book, *The Crash of 2008 and What It Means*, Soros repeated his view that the system is broken, and in a February

2009 meeting at Princeton University he stated that it was struggling on life-support saving devices.

The roots of the 2008 crisis can be traced to the dot.com collapse of 2000 in which the 1990s bubble was engulfed by a bigger bubble, as the Federal Reserve lowered interest rates from 6.5 to 3.1 percent and then to only one percent by July 2003. This created an explosion of leveraged buyouts and a housing bubble because for thirty-one consecutive months the base inflation-adjusted short-term interest was negative. Risky imaginative financial instruments were created by banks to put the risk on what else: pension funds and hedge funds, such as structured investment vehicles (SIVs) which keep their own positions off their balance sheets. Consequently, home values went up more than 40 percent between 2000 and 2005. Wall Street induced people to buy homes as investments if they own a home and more than 50 percent of the homes were purchased accordingly for speculation. To lure people to buy, Wall Street devised what they called teasers- a two year below market interest rate and an adjustable mortgage rate. Wall Street lowered the credit standards and people with low credit ratings were sold what became known as subprime mortgages. Real estate was sold to people with (no income, no job, no assets) and they called this NINJA!

To further protect themselves, Wall Street investment bankers invented SWAPS where credit could be ensured, and these instruments were called credit default swaps (CDS). \$42.6 trillion

CDS were issued compared to U.S. Stock Market valuation of \$ 18.5 trillion and the U.S. treasuries market of only \$ 4.5 trillion.

The first alarm bell was sounded in early 2007 when HSBC fired the head of its U.S. mortgage division. The bank recognized \$ 10.8 billion on February 22, 2007. Two mortgage hedge funds of Bear Stearns failed in June, but Fed chairman Ben Bernanke assured the world that the subprime problem was an isolated problem. Since the market neutral hedge funds are highly leveraged, many of them were wiped out. Banks started to suspect each other's transparency and financial position. They stopped lending to one another. Swaps were called and the problem was aggravated.

It is generally agreed that the outbreak of the current crisis can be assumed to have began in the month of August 2007 when the central banks had to intervene to provide liquidity to the banking systems. On August 9, French bank BNP Paribas suspended three of its investment funds sighting problems in the U.S. subprime mortgage sector. This resulted in the freezing of short term credit. European Central Bank (ECB) had to intervene and pumped 95 billion euros in the European banking system. The United States and Japan central banks also intervened. But the next day on August 10, ECB had to pump another 61 billion Euros to ease the credit crunch. On August 13 ECB intervened again and

pumped another 47.7 Euros. That same day Goldman Sachs said it would pump \$ 3 billion into a troubled hedge fund. On August 16, Countryside Financial had to draw all its \$11.5 billion credit line in that one day. Many banks and financial institutions were bordering on insolvency.

According to Soros new book:

Wall Street got into trouble because it was selling bad “financial paper” to investors-financial instruments that were inflated in value and falsely advertised. The volume of the most famous of these rotten assets-bonds that bundled the so-called subprime mortgages into marketable securities-mushroomed as the bubble in housing prices grew. The mortgage securities were sold to banks and investors around the world, including pension funds and local governments, as save and sound investments claimed to be virtually risk free with the Triple-A grades private rating agencies gave them. P39 This crisis, unlike other previous episodes, cannot be explained away by blaming a few bad actors or random bad luck. This time, Wall Street has been disgraced because it failed on its own terms.<sup>42</sup>

### *Capitalism is Reaching a Dead End*

Under the heading: “Paul Volcker: Economic Crisis May Be Worse than Great Depression”, the Associated Press reported that

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<sup>42</sup> [George Soros](#), *The Crash of 2008 and What it Means: The New Paradigm for Financial Markets*, New York, PublicAffairs, 2009, 41

Volcker, the Chair of the President's Economic Recovery Board, the former chairman of the Federal Reserve, spoke to colleagues during a lunch address at the Center on Capitalism and Society at Columbia University on Friday February 20, 2009 in New York. The conference hosted members of the private sector from around the world to share their views on the global economy. Volcker expressed not only the lack of understanding of the global financial meltdown but the shocking speed with which it had spread across the world. Volcker said: "I don't remember any time; maybe even in the Great Depression, when things went down quite so fast."<sup>43</sup> He added that the breakdown of unbridled financial markets was "broken down in the face of almost all expectation and prediction,". He doubted that "we will revert to the kind of financial system we had before the crisis," he said. It is worth noting that Volcker himself was one of the main architects of that system!

On February 21, 2009, Reuters covered George Soros' talk in that same Columbia University conference under the heading: Soros Sees No Bottom For World Financial "Collapse". Soros was reported as saying: "We witnessed the collapse of the financial

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<sup>43</sup> [http://www.huffingtonpost.com/2009/02/20/paul-volcker-financial-cr\\_n\\_168772.html](http://www.huffingtonpost.com/2009/02/20/paul-volcker-financial-cr_n_168772.html)

system. It was placed on life support, and it's still on life support. There's no sign that we are anywhere near a bottom."

Most experts, even those from the establishment seem to agree that at least things will never be the same after this financial crisis, because it brought to surface all the ills and weaknesses confronting the country. Among these vulnerabilities besides the system itself, grave issues must be addressed such as the massive indebtedness, the trade deficits, the cost of war mongering, capital needed to retool all processes of production and infrastructure in the post petroleum economy, and to address ecological issues that cannot be neglected any longer. Addressing these issues properly will be obstructed by the very same people that caused these problem, chief amongst them Wall Street, the financial institutions and multinational corporations.

The former Secretary of Homeland Security Michael Chertoff, of the second Bush Administration, voiced his opinion in his talk titled 'Why Washington Doesn't Work', at John Kennedy School of Government on February 12, 2008:

I'm going to make the case that structural obstacles really run deeper than partisanship. They apply no matter who's in office. They apply whether the party that controls the White House controls Congress, or whether there are different parties. But what they have in common is the ability to frustrate the pursuit of the common good.<sup>44</sup>

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<sup>44</sup> [http://www.dhs.gov/xnews/speeches/sp\\_1203020606566.shtm](http://www.dhs.gov/xnews/speeches/sp_1203020606566.shtm)

Nobel laureate Joseph E. Stiglitz said in an interview (*Newsweek* April 6, 2009): “What's clear is that the American model of corporate welfare —taking care of companies, but not of people—is broken.” He said of Geithner’s plan to off load bad bank assets in the U.S: “It's terrible. Investors don't have to take responsibility—they can still walk away if it all goes bad. It's what I call American socialism—you socialize the losses and privatize the gains.”

Another Nobel Prize laureate, Paul Krugman is certainly an East Establishment figure. He is a Princeton University professor of economics, and a column writer at the *New York Times*. *Newsweek* magazine (April 6, 2009) wrote: “In his twice-a-week column and his blog, *Conscience of a Liberal*, he criticizes the Obamaites for trying to prop up a financial system that he regards as essentially a dead man walking. In conversation, he portrays Treasury Secretary Tim Geithner and other top officials as, in effect, tools of Wall Street”. Krugman called Tim Geithner’s policy towards Wall Street bailout as “cash for trash”.

According to Harper’s Index/ September 2009, the percentage change since 2002 in average premiums paid to large health-insurance companies was 87 percent. The percentage change in the profits of the top ten insurance companies was 428 percent. This

was at a time that the average American income inched up less than one percent/year. “Wall Street got into trouble because it was selling bad ‘financial paper’ to investors-financial instruments that were inflated in value and falsely advertised.” Tax payers’ money went to those who sold bad financial paper that was inflated in value and falsely advertised, and left the tax payers themselves who lost their jobs and homes to their destiny. No tears are to be shed on the collapse of such a system.

The average American making under \$34 000 per year had a stagnated income since the financial economy overtook the real economy. Their income scarcely changed since 1990. In 2007 for example, that average went up by 5 percent whereas cost of living increased by 4.1 percent. In contrast, Goldman Sachs CEO Lloyd Blankfein received \$68.5 million in salary, bonus and stock awards, an increase of 25 percent on the previous year and roughly two thousand times more than the average American income. Global financial capitalism income disparity is ever worst outside the core countries of the West.

The same year, Goldman Sachs total assets exceeded \$ 1 trillion and its net revenue was \$46 billion. This one investment bank’s assets were more than the entire gross domestic product (GDP) of a hundred countries.... The bank total assets for the first time exceeded \$ 1 trillion.

The measured economic output of the world in 2006 was about \$ 47 trillion but the total capitalizations of the stock markets

were 10 percent larger at \$51 trillion. The domestic and international bond market was 50 percent higher at \$ 68 trillion. Scarier yet, the amount of derivatives outstanding was ten times more than the World measured economic output at \$ 473 trillion. Such financial instruments virtually did not exist before 1980!

George Soros made \$ 2.9 billion in 2007 so no one can claim he doesn't love the outcome of the system as he is one of its acknowledged beneficiaries. His crusade to save the system from its excesses since the late 1990s is indicative of a sharp mind and a devotion to his class. He wants to save them from their greed that is leading to their self destruction.

## *CHAPTER 8*

### *FROM PAX BRITANNICA TO PAX AMERICANA*

#### *Anglo-SAXON capitalism changed Imperial horses*

World War I was both a military and a global economic event that resulted in the expansion of the U.S. economy even though President Wilson's stated motives for entering the war were defined as aiding democracy against autocracy and putting an end to all wars.

In the decade of the 1890s, an informed policy network was formed by elites mostly from Cambridge and Oxford whose purpose was to urge for a new and more efficient system to extend the Anglo-Saxon culture and hegemony over the twentieth century. This was at a time Germany was emerging as a strong industrial power and the pillars of the British Empire were challenged. The pillars of empire were:

- **Control of the seas:** This equals control of communications nowadays. Germany was building bigger and faster ships progressively and the German fleet was bridging the gap with the British fleet.
- **Domination of international finance:** The German Exchange Act of 1898 established a model of banking and

finance different from the Anglo-Saxon model. Germany's new industrial model was based on technological progress and protectionism, as some tariffs on imports were imposed. London's financial barons lost influence as a result of the German economy.

- **Domination of world's major raw resources.** The United States huge resources were uncovered in the 19<sup>th</sup> century. The United States was obviously moving to prominence and as an Anglo-Saxon country, relations could be forged to challenge the emerging challenges mostly from Germany but also from others.
- **Domination of technology:** Most of the recent revolutionary inventions, such as electricity, were invented in the United States and even other major inventions in Europe were outside the British Isles. German engineer Gottlieb Daimler developed the world's first workable petroleum powered engine.

The informal empire hegemony was to be maintained, not by direct occupation, but through the creation of "client states" through economic bonds of financial dependence and through the concept of sphere of influence and the diplomacy of balance-of-powers. London was to be the fulcrum and it would add its weight

to this side or the other, to maintain its interests. There were not to be permanent friendships but, instead, London's interests without any sentimental or moral obligations. The British found that after Argentina lost its economic sovereignty, they controlled it more efficiently than having occupation troops, as was the case in India. In the 1880s, London-financed railroads and projects and brought twice as many goods to the Argentine ports for export, yet its debts, mostly to London banks, increased by 200 percent.

The Oxford Cambridge elites created in 1910 "The Round Table" journal. Also, they grouped around the London Times and among its members were the historian and Secret Intelligence Service member Albert Lord Grey, Arnold Toynbee, H.G. Wells, Alfred Lord Milner and Halford J. Mackinder. In August 1911, Lord Lothian of the Roundtable declared: "There are present two codes of international morality – the British or Anglo-Saxon and the continental or German. Both cannot prevail".<sup>1</sup> This Anglo-Saxon doctrine was reconfirmed by Wolfowitz's 1990 defense papers that defined the role of the United States as a sole superpower that must see that no other superpower emerges.

The global money barons, mostly in the city of London, with affiliates and relatives in other European capitals, along with the Roundtable elites, began preparing for a war against Germany. Germany's flirtation with Turkey; its construction of railroads that

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<sup>1</sup> *The Round table*, Volume 1, Macmillan., 1910, 422

would connect Berlin with Baghdad and Basra, which would create a new market for Germany in the Middle East; Germany's concession for oil in Mesopotamia (Iraq) in 1912; Germany's new naval power with new 80,000 horse-powered ships that had the fastest speeds in the sea lanes – all these make this new German emerging dominance a threat to the already stagnating England, and poised to harm its balance of power diplomacy. Britain was determined to keep Germany deprived of oil resources. Since England could not compete with Germany's new industrial revolution and its Daimler motors, it decided it would control the oil and energy needed for the motors and industries of Germany. Also, at the start of the 1890s, Russia adopted the German economic model of Frederick List's "National System of Political Economy" and it imposed very stringent protective tariffs. This model transformed Russia from a grain basket for the city of London trading houses to a potential competitor. Using its balance of power diplomacy, Britain allied itself with Japan against Russia, which was humiliated in 1905, and a new Russian government had to change its economic model. At that time, Russia had to sign the rights of Afghanistan and parts of Persia to the British.

In his book *A Century of War*, William Engdahl wrote:

One of the better kept secrets of the 1914-1918 World War is that on the eve of August 1914, when Britain declared war against the German Reich, the British Treasury and the finances of the British Empire were bankrupt .... An examination of the actual financial relations of the principal parties to the war reveals an extraordinary background of secret credits, coupled with detailed plans to reallocate raw material and physical wealth of the entire world after the war, especially areas believed to hold significant petroleum reserves in the Ottoman Empire.<sup>2</sup>

Morgan, who had one foot in London and one in New York, had been the main bridge for the financial barons of the City of London since the 1860s until the start and during World War I. Since the projected costs of war and related loans were imagined to be possible only through the creation of a duplicate to the Bank of England, the Federal Reserve's System was created only a few months before the war, in December 1913. It was created following the model of the Bank of England, which was a private holding controlled not by the government but by the financial barons of the City of London. Likewise, the Federal Reserve System was privately held by the private banks of the United States and it was also controlled by the financiers of Wall Street. J.P. Morgan & Co of New York was assigned officially as the sole purchasing agents for

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<sup>2</sup> [William Engdahl](#), *A Century of War: Anglo-American Oil Politics and the New World Order*, Pluto Press, 2004

all war munitions supplied from the United States, including the purchases of France and other European allies. These purchases were also guaranteed by the British government. This was in violation of international law that does not allow belligerents (i.e., Britain) to have supply bases in neutral countries.

Morgan's London partner was E.C. Grenfell who was also a director at the Bank of England! By the time the United States was brought into the war in 1917, more than \$20 billion were purchased from the house of Morgan and \$1.25 billion were raised as loans. Morgan's mobilization efforts were helped by the efforts of the New York Federal Reserve Bank's Benjamin Strong, a former Morgan employee! The financial barons' "friendly" press was demanding U.S. entry in war, especially after Germany had to sink American oil tankers headed to its enemy. War was declared by the United States on April 12, 1917. To finance U.S. government war costs, Liberty Loans and Bonds were issued and sold through the "patriotic" houses of Wall Street. By June 30, 1919, these bonds totaled \$21,478,000,000. Patriotic Wall Street now became the center of world finances, taking the spotlight away from the City of London. Another pillar of the empire was shifted to America. If debt is what the Rothschilds, the Barings and the Morgans thrive upon, the years of war and the global devastation increased the national debts of the world by \$210 billion, or about 475 percent.

Morgan & Co. very quietly shifted their private loans to the British government into loans to the United States government, and thus it became the responsibility and burden of the American taxpayer!

The Roundtable group formed “The Royal Institute of International Affairs” to be their think tank, and Arnold J. Toynbee was its first paid employee. As part of the financial barons’ new policy to switch horses and use the United States as their new vehicle for world hegemony, with the imperial and political know-how of the fading British empire, a parallel American think tank was created at the very same time: “The Council on Foreign Relations” (CFR) which launched its magazine “Foreign Affairs”. CFR became the twin of “The Royal Institute of International Affairs” (RIIA) and it continued to play a pivotal role in the formulation of American policies. Both think tanks were created in the corridors of the Versailles Peace Conference.

### *A New Consumer Is Culture for Production of Customers*

After WWI, returning soldiers and stoppage of war product caused recessions, depressions, and deflation in the 1920’s. The United States was in need of creating customers for its overproduction. Thus, a consumerism culture was created. William Leach researched this subject. He wrote in his book *The Land of Desire*:

In the decades following the civil war, American capitalism began to produce a distinct culture, unconnected to traditional family or community values, to religion in any conventional sense, or to political democracy.... From the 1890s on, American corporate business, in league with key institutions, began the transformation of American society preoccupied with consumption, with more goods this year than last, more next year than this. American consumer capitalism produced a culture almost violently hostile to the past and to tradition, a future-oriented culture of desire that confused the good life with goods... The cardinal features of this culture were acquisition and consumption as the means of achieving happiness; the cult of the new, the democratization of desire, and money value as the predominant measure of all value in society.<sup>3</sup>

The problem became not the production of goods but the production of customers. Consumption was elevated to become a religion, whose spirit was the human desire. This new religion of “consumption” was anti-religious, as all religions taught the suppression and control of desire. Religions taught moderation in worldly possessions and promoted ethical values above material ones. The rewards, as religions promised, would be peace of mind

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<sup>3</sup> [William Leach](#), *Land of Desire: Merchants, Power, and The Rise of a New American Culture*, Vintage Books, 1994, xiii,3

in life and a better afterlife. Consumerism went in the opposite direction. “It’s now or never”, as its popular songs advocated. The religious-based culture, and the way of life it produced was targeted for change by the holders of wealth and production as it did not suit their system.

In the materialistic world of capitalism, the new consumer culture had to be elevated to the rank of science. The owners of wealth and production made an alliance with leading universities and colleges, which started to teach business in newly created business schools; those wealth and production owners not only donated their money to these institutions but actually sat on their boards of trustees and cooperated in formulating their curricula. The government also became a participant in the creation of this culture and Herbert Hoover, both in his capacity as secretary of commerce and as U.S. president, played a major role in forging the business-government alliance. The government accepted its role as provider of services to big business, and big business became the major partner in this alliance. This continues until this day.

Hoover’s description of life in small-town America prior to the consumer culture was interesting, since it came from a man who did so much to change that culture of the 1880s. The speech was made during his 1928 presidential campaign as he was revisiting his birth place of West Branch, Iowa, a town of 800 people in 1880. He noted that as his aunt Hannah predicted, churches and meeting

houses would be converted to places of “abomination”, the old Quaker meeting house became a movie house! In the 1880s, Hoover said, people shared communal pleasures. The town was self-sufficient as it grew its own wheat and corn and ground it in its mill. The town was self-sufficient in meat. It wove its own clothing, “...we repaired our own machinery; we got our own fuel from the woods; we erected our own buildings; we made our own soap; we preserved our own fruit and grew our own vegetables. Only a small part of the family living came by purchases from outside.”<sup>4</sup> Hoover said that in his childhood no poverty was known in West Branch. People were happy. They were not subjected to the fluctuations and downturns of the Chicago market that in later days sometimes wiped up to 50 percent of their earnings by speculators. People now moved to anxiety from comfort.

Consumption became the new creed of consumer capitalism and it centered round the creation of “heavens on earth” through a higher standard of living that could be bought by consumption which, in turn, will bring happiness. Happiness was transformed into a commodity that could be acquired by consumption. As the United States became cash-rich and enjoyed a larger trade surplus after World War I, investment bankers expressed confidence in the potential of money markets and investment banking in the United

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<sup>4</sup> Ibid., 376

States. Cars and trucks assisted in the transportation of goods throughout the country. Department stores were started all over the country with new merchandising and sales techniques. Banks were branching quickly to exploit the money supply. Movies and radio joined newspapers in spreading the new culture. A new service economy was developed that employed a great portion of the unemployed; to the extent President Hoover acknowledged its effect in averting a critical unemployment crisis. Chain stores were created. Bankers encouraged mergers and consolidations. After 1920, a national market began to emerge, and corporations became bigger and bigger.

Around the mid-1920s, film distribution to theater chains was controlled by eight film companies. Early on, the “merger-mania” was in heavy industry and manufacturing. Merger became the way to expand. The investment bankers were pleased to provide the services needed for “mergers and acquisitions”. They actually promoted it. Between 1910 and 1930, the number of investment bankers increased about 400 percent. They assisted many local companies to become regional and many regional companies to become national. As in the present mergers and acquisitions, a financial economy was created which was interested in making money as its business, instead of making goods.

The whole new culture depended on creation of demand through manipulating people’s desire. The bankers and their

intellectuals decided that stimulation of desire had no limits, and that once one's desire is satisfied it brings with it another desire. "The American economy," wrote Waddell Catchings of Goldman Sachs, "had to stimulate new and underdeveloped desires."<sup>5</sup> Within the 1920s, mergers became widespread, from food to amusement. Catchings made a deal with Warner Brothers in 1925 and they bought one of the country's most reputable companies in the business and thus, overnight, the Warner Brothers became owners of the best film distribution system in the country. With more acquisitions Warner's assets went up forty-six times in only five years! Louis Kirstein of Filene's and Fred Lazarus, Jr., of F and R. Lazarus in Columbus, Ohio, created one of America's biggest mergers that resulted in the creation of federated stores in 1929, assisted and advised by the investment banker.

Bankers and businessmen forged alliances with America's finest colleges and universities. They concluded that production was the easy part of the supply and demand formula, and they decided that the demand side could be controlled by manipulating the human desire which has no end. This would lead to endless growth and production. However, the control systems for manipulating the desire had to be studied and the resulting businesses had to be managed by a science that did not exist;

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<sup>5</sup> Ibid., 277

therefore it had to be created. Business had to be made a worthy profession. "...no agency was doing more to help business become a worthy profession than Harvard Graduate School of Business,"<sup>6</sup> said Louis Kirstein of Filene's, who also chaired the school's fundraising committee. The president of New York City's First National Bank, George F. Baker, provided a gift that resulted in Harvard Business School having its own administration building, dormitories and library by 1927. Both Cornell and New York University were closely associated and financially dependent on the creators of the consumer culture. Ellsworth Statler was a major financial source to Cornell. Perry Straus, of Macy's, was not only a major financier of New York University; he served on its executive council that used to meet regularly in the 1920s at his store. He chaired its board of trustees as well. Also, around the mid-1920s, Stanford established a graduate school of business to teach accounting, finance, marketing and transport. About the same time, Northwestern University, Michigan, Wisconsin, California and Oregon got into the business of business schools.

Few individuals had more profound influence in the new mass consumer economy than a 1914 Harvard graduate: Paul Mazur. After joining the army and several business experiences, he became the merger man at Lehman Brothers. Mazur, just as Catchings of Goldman Sachs, was an advocate of mass centralized

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<sup>6</sup> Ibid., 286

merchandising. Mazur depended heavily on Harvard for help. Harvard considered itself as an unbiased institution with “scientific interest” in management problems of business. In 1924, collaboration started between the National Retail Dry Goods Association (NRDGA), Lehman Brothers and Harvard Business School in which the NRDGA entrusted Mazur to join HBS to make a study on organizational trends in merchandising. Professor Donald David nominated a 1924 Harvard graduate, Myron Silbert, to join the study team. The three produced *Principles of Organization Applied to Modern Retailing* after one and a half years of research. This became the standard textbook on this subject for the next half a century.

In 1928, Mazur published his book *American Prosperity*. Consumer capitalism’s culture can best be expressed in quotations from this book:

Man’s desires can be developed so that they will greatly overshadow his needs ... Human desires seem to have no limits ... Give the world and his wife the funds with which to satisfy every need, desire and whim, educate the world and his wife to want, and the production capacity of the country will actually groan under the burden of enormous demand. There may be limits to the consumption of particular products.

There is no theoretical limit to general consumption possibilities.<sup>7</sup>

Auxiliary institutions were created to promote the new culture. Installment credit and personal finance institutions were devised so more charge customers were created, and charge business rose to double what it was within the decade of the 1920s. The department stores were redecorated; fashion modeling agencies and style agencies and consultants emerged.

After World War I, America experienced its worst depression since the depression of the 1890s. The prices went into a free fall unequaled in American history and unemployment went to a record high. The country was experiencing not only economic turmoil, but also political upheaval, as people even talked about the possibility of a revolution. The Bolshevik revolution was only a few years old. Herbert Hoover was appointed commerce secretary in 1921. Hoover immediately went to work; he became convinced that a great gap existed between production and consumption and he specified that bottlenecks existed in the marketing and distribution systems. However, probably Hoover's thinking was best expressed in one of his reports where he stated that the U.S. economy proved the theory "that wants are almost insatiable: that one want satisfied, makes way to another. The conclusion is that economically we have

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<sup>7</sup> [Paul Myer Mazur](#), *American Prosperity: Its Causes and Consequences*, The Viking Press, 1928, 24

a boundless field before us, that there are new wants which will make way endlessly for new wants, as fast as they can be satisfied.”<sup>8</sup>)

With advice from Edwin Gay, first dean of the Harvard Business School, and others, Hoover transformed the Commerce Department into an agency that serves American business with data it may need to control the economic forces and help in balancing production and consumption. Among Hoover’s most trusted appointees to the Commerce Department was Julius Klein, a Harvard-trained economist and historian. He was a man of vision; “... he dreamed of creating a seamless economic system without frontier or boundary and without conflict, a system of perfect liquidity that would allow for the ‘efficient movement of ideas, capital, and commodities’”<sup>9</sup>..

Hoover’s theories looked fine for a while. The country went out of depression into the roaring twenties, but when things looked good at the surface, the worst depression in American history was in the making. It unfolded in the Wall Street crash of October 1929, and it continued for a full decade.

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<sup>8</sup> Committee on recent economic changes, *Recent economic changes in the United States*, McGraw-Hill book company, inc., 1929

<sup>9</sup>[William Leach](#), *Land of Desire: Merchants, Power, and The Rise of a New American Culture*, Vintage Books, 1994, 362

The parallel between the roaring 1920s and the roaring 1990s may at this point be pointed out. In both eras, the government deregulated its role and accepted to be only a facilitator to business. Wall Street in both instances was supposed to exercise self control. The two periods witnessed a wave of mergers and acquisitions and the main players remained Goldman Sachs and Lehman Brothers. And in both decades a boom of illusion was hiding economic turmoil and instability, followed by the Great Depression after the decade of the 1920s, and the collapse of the dot.com market, the subprime market and the financial markets in the decade following the 1990s. In my book *The Globalization Gospel* published in 1998, I predicted that just like turmoil followed the decade of the 1920s, one could expect turmoil to follow the 1990s.

The American economy did not get to the 1929 level until about 1939, and even then business cycle fluctuations were very severe. Swings that got 4 million people out of their jobs in only a matter of months occurred even in 1939. It was World War II that got capitalism out of the woods. Also, it was the state capitalism of the New Deal that ran totally opposite to the teachings of Adam Smith and Herbert Hoover, just as state intervention and federal bailouts are now attempting to control the American economy.

The consumption culture was elevated to the rank of religion, where people were promised heaven on earth. Cambridge-educated Keynes, who enjoyed describing himself as an “immoralist”,

endorsed this consumer culture. Actually, he thought religions and ethics must be removed from society since they advocate savings for the future and self-discipline now for rewards in the future in heaven. He promoted the thought that one must enjoy it in the here and now -- not in the hereafter, and people must follow their pleasures and forget about thrift and sacrifice. Such a philosophy, according to Keynes, would create abundance and pleasure for all.

### *War and Peace Study Group*

The Council on Foreign Relations, alone or jointly with the government, many of whose members were or are part of the council, created the process of planning the new post-World War II American imperial order with thoroughness and a high degree of professionalism. The World War II broke out in September 1939. Few were as qualified as Council Director Isaiah Bowman to take the initiative to start the war and peace studies. He had been a member at the "Inquiry" study of World War I and was determined that a repetition of the post-World War I decades of instability and depression should not be allowed. Even by that time, in 1939, the U.S. economy hadn't fully recovered.

On September 12, 1939, twelve weeks after the outbreak of the war, Walter H. Mallory, the executive director of the council and foreign affairs editor Hamilton Fish Armstrong met in

Washington with Assistant Secretary of State George S. Messersmith, himself a council member. They presented a long-range planning project in which study groups were to be formed by the council and discussed with the State Department. The resulting recommendations would be confidentially and officially presented to the State Department and President F. D. Roosevelt. Roosevelt himself was known to be close to the council, and his New York town house, when he was governor of New York, was next door to the council. In mid-December 1939, a central steering committee was formed to direct and coordinate the work of the various study groups.

The committee was made up of:

- Norman H. Davis - chairman (Roosevelt's ambassador at large)
- Walter H. Mallory - vice-chairman (council director)
- Alvin H. Hansen - professor of political economy (Harvard)
- Jacob Viner - professor of economics - (University of Chicago)
- Whitney H. Shepardson - corporate executive and a participant in the 1919 Versailles peace talks.

- Allen W. Dulles - international corporate lawyer (and later CIA director)
- Isaiah Bowman - president (Johns Hopkins University) and a leading geographer.

Five study groups were established:

- Economic & Financial Group: headed by Hansen & Vinor
- Political Group: headed by Shepardson.
- Armaments Group: headed by Dulles
- Territorial Group: headed by Bowman.
- Peace Aims Group: later headed by Armstrong.

About one hundred people were involved in these studies for the duration of six years. The council members and the study groups met regularly. Such long-range studies heavily depended on the council, since the State Department was not staffed for such policy planning until after World War II.

One of the first conclusions by the council and the study groups was that, in order for the United States economy to function properly, it needed free access to markets and raw materials of other countries and areas, especially those of the British empire, the Far

East, and the entire western hemisphere. This was considered as a “national interest” or “a national security interest”, as the term evolved during the cold war. The Economic & Financial Group’s memorandum (E-B 19) was issued in October 1940. In it Japan was singled out as an impediment to the integration of the Far East in the post-World War II order, as Japan had its own strategic plans in that area. Japan was judged unwilling to play a subordinate role assigned to it by the United States. Actions were discussed that may prevent Japan from taking over Southeast Asia, thus denying the United States access to these markets and their raw materials. Memorandum (E-B 26), dated January 15, 1941, titled “*American Far Eastern Policy*” said: “The Philippine Islands, the Dutch East Indies, and British Malaya are prime sources of raw materials very important to the United States in peace and war; control of these lands by a potentially hostile power would greatly limit our freedom of action.”<sup>10</sup> In addition, during World War II, occupation of these lands will be to the disadvantage of the allies’ war efforts. The proposed plan was to:

- Aid China militarily (supplies) to distract Japanese troops and pin them on China.
- Strengthen naval and air defenses of Southeast Asia, in agreement with the British and the Dutch.

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<sup>10</sup> American Far Eastern Policy, E-B26:1,

- Cut off some supplies of war materials to Japan.

This memo was handed to Secretary of State Cordell Hull. The aid to China and cutting of war supplies were implemented within few months in 1941, and they played a major role that led to America's entry into World War II.

Memorandum (E-A 17) of June 14, 1941, discussed "one world economy" dominated by the United States. But as an interim measure, memorandum number (E-B 34) of July 24, 1941, defined the Grand Area concept as consisting of "Western Hemisphere, the United Kingdom, the remainder of the British Commonwealth and Empire, the Dutch East Indies, China, and Japan itself...." This area, it was decided, was needed as a minimum for the United States' economy to function without the need for major readjustments. The Grand Area was considered a core area with which the post-war devastated economies may be interweaved. The more countries added to the Grand Area the better. This memorandum (E-B 34) concluded the need for the creation of:

- International financial institutions to stabilize currencies,  
And
- International banking institutions to help investment and development in backward countries.

In October 1941, the idea was further refined and Winfield W. Riefler of the Economic and Financial Group proposed an “International Development Authority” to stimulate investment in underdeveloped countries, increasing their purchasing power and, as a result, demand for U.S. products. On November 1, 1941, Alvin H. Hansen proposed that an international “Reconstruction Finance Corporation” be established by governments even during the war. The council adopted both proposals and sent their recommendations to President Roosevelt and the State Department. Harry Dexter White, of the Treasury Department, worked out the technical details of the two proposed institutions. In March 1942, White produced a memo that led to the creation of the International Monetary Fund and the World Bank. Secretary of the Treasury gave this to Roosevelt in mid-May. A cabinet committee was formed to refine the plan further and an American Technical Committee was formed to do the actual planning. The plan was approved and the implementation was flexible, ending around the conclusion of World War II. Forty-four nations were invited to Bretton Woods, New Hampshire, in 1944, and the financial institutions for post-World War II global capitalism were created.

It was only in late 1941 that the Department of State created “The Advisory Committee on Postwar Foreign Policy”. The leading planners of the council filled the leading positions in this committee. However, a smaller “Informal Political Agenda Group”

evolved, called by Roosevelt “postwar advisors”. They were Hull, Welles, Davis, Taylor, Bowman, and Pasvolsky. Five of the six were council members. This small group directed the agenda of the Advisory Committee, and it was they who drafted the United Nations Charter.

Thus, a framework to a political institution for world governance after World War II was also created. Since exploiting other people’s resources could now be done through corporate imperialism, with the American empire to guarantee free movement of money and goods, colonies would soon be given “independence”, in such a way that transnational corporations’ access to those nations’ markets and raw materials was secured “without stress”. Corporations now performed the exact function of colonialism. Local elites of the newly independent colonies would have common interests with transnational “elites”. Following their own material interests, they would oppose any national interest that may be in contradiction with transnationalism. All transnationalists, by definition, have no national loyalty. This new system was intelligent and invisible. For the colonialists to collect their profit, they had to have physical presence, risky at times, and had to operate under army and police protection. It was Isaiah Bowman who suggested that the United States could exercise effective controls on the ex-colonies and weaker areas of the world

through a United Nations. The United States must have the needed strength to assure “security”, yet it must “avoid conventional forms of imperialism”. What was to be avoided was the conventional form of colonialism but not imperialism itself. The United States began drafting its proposal for a United Nations. The Agenda Group began that job and the declared purpose of the United Nations was maintenance of peace and security around the world.

The draft for the U.N. proposal was made in seven months, between December 1943 and July 1944. Secretary of State Hull approved the draft and gave it to three lawyers to ensure it did not contradict the U.S. constitution. As the lawyers saw no problems, Hull and others discussed the draft with President Roosevelt who not only approved the draft but also issued a statement to the American people on the subject.

By the end of World War II, the United States had its plans ready for a Grand Area that should lead to a global economy. It created all the international political (U.N.) and financial (IMF, World Bank) and free trade (GATT) institutions to lead an American empire that superseded the British Empire. The American imperial power was to be exercised through innovative, genius and invisible systems that continued to be modified tactically, using the new innovations, communications and management systems. The strategic aim of creating a global economy under American capitalism patronage was never changed.

The United States-led western powers won the war. Europe, Japan and many parts of the world were devastated. The Soviet Union lost millions of its people, and much of its infrastructure. The United States was certainly in a position to impose its version of the post-World War II order, at least as far as its allies and the Grand Area were concerned.

In 1945, the United States decided to stop its lend-lease not only to the Soviet Union but also to Britain. This was probably understood, as far as the Soviet Union was concerned, but some assumed that it was also a message to Britain that a new post-World War II order was being reconstructed, and that it was the United States that was calling the shots. Once that was made clear, European reconstruction became an American priority. The Marshall plan for European recovery was approved by Congress in 1948, and a \$17 billion aid package was allocated. The Marshall plan called for rapid economic deregulation and looked forward to an increasingly united Europe in the political, economical and military areas at least. The Organization of European Economic Cooperation (OEEC) was created. In 1961, it was transformed into the Organization for Economic Cooperation and Development (OECD), with the U.S. and Canada included as full members. The European Economic Market (EEC), also known as the Common Market, was established in 1957, creating one large free-trade zone.

The original six members were France, West Germany, Italy, Belgium, the Netherlands and Luxembourg, but more countries were added in the following years. The core of the Western military defense for Europe was the North Atlantic Treaty Organization (NATO), which depended heavily on the United States.

The American intelligence community staff was trained in Britain and they operated from London prior and during the war. It was Britain's Lord John Maynard Keynes and the American Dexter White who supervised the details of the Bretton Woods post-World War II architecture. And it was Britain's Churchill who coined, after World War II, the term "Iron Curtain". Britain took the role of the imperial consultant to the United States in a smooth transfer of Anglo-Saxon horses. The change of roles from Britain to the United States went smoothly, except for few unsuspecting British bureaucrats who unwittingly tried to defend the fading imperial role of Britain as the horse of the Anglo-Saxon capitalism globally. The new concept of empire as envisaged by the Roundtable was implemented successfully. After 1945, Britain exerted its influence indirectly, through a "special relationship" with the United States.

## *CHAPTER 9*

### *POST BRETTON WOODS 'NO-SYSTEM SYSTEM'*

#### *CASINO ECONOMICS CALLE DEREGULATIO*

I believe that banking institutions are more dangerous to our liberties than standing armies. If the American people ever allow private banks to control the issue of their currency, first by inflation, then by deflation, the banks and corporations that will grow up around the banks will deprive the people of all property until their children wake-up homeless on the continent their fathers conquered.<sup>1</sup>

“...we meet in the midst of a nation brought to the verge of moral, political and material ruin. Corruption dominates the ballot box, the Legislatures, the Congress, and touches even the ermine of the bench ... The newspapers are largely subsidized or muzzled, public opinion silenced, business prostrated, homes covered with mortgages.... From the same

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<sup>1</sup> Thomas Jefferson, Letter to the Secretary of the Treasury Albert Gallatin, 1802

prolific womb of governmental injustice we breed the two great classes – tramps and millionaires.”<sup>2</sup>

The recent meltdown of the financial markets and the breakup of the system was referred to differently by different people depending upon their backgrounds and ideological orientation. Some called it a recession, others deep recession or mild depression or depression or systemic failure of the market economy. Others considered it a systemic failure of the capitalist order, at least the American Anglo-Saxon brand. Everybody agreed that finance capitalism is in deep trouble, much deeper than politicians and Wall Street are willing to admit, and almost all agreed that things would never be the same again. Many concluded that ‘change’ was needed. That was also the slogan of the Obama campaign. Most critics did not opt for a ‘cosmetic’ establishment change but radical change that addressed the ills of the American politics and society.

*William Greider, in his book: Come Home America wrote:*

History , in any case, is not going to wait for the American political system to wake up and get its act together....Other great powers have experienced similar humbling passages in history, and some learned with sorrow that stubborn denial

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<sup>2</sup> Ignatius Donnelly, At the St. Louis Populist convention, 1892,  
<http://historymatters.gmu.edu/d/5361/>

can lead to tragic outcomes... Instead of trying to run the world, let us tend our wounded society.<sup>3</sup>

*At present, the United States is in a state of denial!*

Finance capitalism which was unleashed savagely by the cancellation of the fixed exchange system of Bretton Woods and the cancellation of the gold cover to the dollar catalyzed by deregulation, had been undergoing one crisis after the other, each crisis becoming more serious and more difficult to control. The decade of the seventies of the twentieth century experienced runaway inflation. In the eighties there was the October 1987 crash, the implosion of the junk bond market (which lived up to his name junk) and the savings and loan association collapse which caused American taxpayers hundreds of billions of dollars for these financial institutions bailout. As the United States pressed its brand of economics on the rest of the world after the collapse of communism, corporate America assaulted other economies savagely. The 1990s witnessed the collapse of the real estate and stock market bubble, the Mexican crisis in 1995. The same year witnessed the collapse of Barings Bank and the Japanese banking sector carried \$1.2 trillion in bad debt exposure. Southeast Asian countries experienced a 50 percent to 80 percent collapse in the

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<sup>3</sup> William Greider, *Come Home, America: The Rise and Fall (and Redeeming Promise) of Our Country*, Rodale, 2009, 6, 9.

value of their currencies due to currency speculators manipulations in the summer of 1997. They were devastated and their banking system broke down. In the fall of 1998 LTCM collapsed, and against the conventional wisdom preached to other countries to leave failing banks and institutions to fail, it was the Federal Reserve of New York that managed LTCM's bailout claiming that if it failed it would have taken with it the whole capitalistic order. The high tech meltdown of 2000 and the stock market implosion caused a \$ 7 trillion paper loss to the United States and \$ 2 trillion in Europe and Asia. That was followed by several large corporate bankruptcies including Enron.

After the Southeast Asian crisis, George Soros wrote in his book *The Crisis of Global Capitalism* that "Nazi and communist regimes ... had a common feature: They laid claim to the ultimate truth and they imposed their views on the world by the use of force"<sup>4</sup>. That was probably in response to the Washington Consensus of trying silently to force the American brand of capitalism on the world before George W. Bush openly said, 'you are with us or against us'. The United States now is laying claim to the ultimate truth and wants to force the world to embrace its values, arguing that they are good for everybody everywhere, and it is imposing these values by all the resources it possesses, including military means.

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<sup>4</sup> [George Soros](#), *The Crisis of Global Capitalism: Open Society Endangered*, PublicAffairs, 1998, ix

What Soros wrote carries special significance because he is a high profile figure from the global financial community. He is known to have taken advantage of the system's every weakness and known for his speculations not against Mexico and Southeast Asia but also against the Bank of England. He cannot be blackmailed as anti-Semitic, as Soros is a Jew himself. In the preface of his book he wrote:

I was explaining why the global capitalist system was unsound and unsustainable, but until the Russian meltdown in August 1998, I did not realize that it was in fact disintegrating.... The global capitalist system is based on the belief that financial markets, left to their own devices, tend towards equilibrium.... This belief is false. Financial markets are given to excesses and if a boom/bust sequence progresses beyond a certain point it will never revert to where it came from. Instead of acting like a pendulum financial markets have recently acted more like a wrecking ball, knocking over one economy after another.<sup>5</sup>

Soros said that his views about the crisis of capitalism were summarized in a testimony to the Congress he delivered on September 15, 1998, after the Southeast Asian and Russian crisis. Following the financial collapse of Southeast Asia, many considered

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<sup>5</sup> Ibid., xi, xvi.

Soros himself as the main cause for the economic collapse. The result was, that in Indonesia for instance, “most of the gains in living standards that accumulated during 30 years of Suharto’s regime have disappeared. Modern buildings, factories and infrastructure remain, but so does a population that has been uprooted from its rural origins.”<sup>6</sup> Soros described the global capitalist system as a circulatory system “sucking up capital into the financial markets and institutions”<sup>7</sup> that are its center, or its heart, “and then pumping it out to the periphery”<sup>8</sup> directly as credit or portfolio investment or indirectly through multinational corporations. “The system is very favorable to financial capital...”<sup>9</sup>

“The few” at the center will retain profits and power, and they decide who shall live and prosper and who should not. Soros argues that as long as money “of others” keeps moving from the periphery to the center and as long as “the few” pump some of the money back, things are okay. But when the periphery is distressed beyond its elasticity limits, as normally is the case as a result of financiers’ greed, the whole system becomes endangered. What is needed, thought Soros, is an institution to protect “the few” against themselves and their greed, something like an international Federal Reserve System. The global system suffers from several flaws, said

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<sup>6</sup> Testimony of George Soros to the U.S. House of Representatives, September 15, 1998 <http://www.iatp.org/tradeobservatory/library.cfm?refID=23741>

<sup>7</sup> Ibid.

<sup>8</sup> Ibid.

<sup>9</sup> Ibid.

Soros. The banks' and financial institutions' balance sheets do not reflect the real exposure of these institutions as "banks engage in swaps, forward transactions and derivative trades among each other and with their clients. These transactions do not show up in the balance sheets of the banks".<sup>10</sup>

What worries Soros is that the "pain at periphery has become so intense that individual countries have begun to opt out of the global capitalist system.... If and when the decline spreads to our economy", which it did, "we may become much less willing to accept the imports which are necessary to feed the reverse flow of capital and the breakdown in the global financial system may be accomplished by a breakdown in international free trade."<sup>11</sup> Soros added in his testimony to the U.S. Congress: "There is an urgent need to rethink and reform the global capitalist system."<sup>12</sup> Market fundamentalism, unleashed by Reagan and Thatcher "has rendered the global capitalist system unsound and unsustainable"<sup>13</sup>. One good reason is because we have a global economy without a global society. "The situation is untenable." Soros warned: "Monetary

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<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

<sup>12</sup> Ibid.

<sup>13</sup> [George Soros](#), *The Crisis of Global Capitalism: Open Society Endangered*, PublicAffairs, 1998, xx

values and transactional markets do not provide an adequate basis for social cohesion.”<sup>14</sup>

Soros argues that global capitalism started in the 1970s with the increase of oil prices and the emergence of the Eurodollar market. It was given a boost by Thatcher and Reagan, and was further advanced by the collapse of the USSR. In the United States, as market fundamentalism took hold, “the burden of taxation has shifted from capital to citizens”.<sup>15</sup>

There is a conflict of interest between the global capitalism’s center and periphery countries. In a crisis, lenders normally have little to lose. What they may do is to roll over their loans, extend dates of maturity, but never abandon their loans. Often debtor countries are forced by IMF conditions to assume liability for commercial banks (as in Chile in 1982, in Mexico in 1994, and Southeast Asia in 1998). Even if the debtor countries do not pay their obligations in full, they will be obliged to pay to the maximum limit possible, which will obstruct their development investments. Lending at the periphery carries very little risk. Although the international debt crisis of 1982 was caused by the decision of the center country (U.S. raising interest rates), it was the debtor countries at the periphery that had to pay for it. Also, the Southeast Asian crisis was caused by speculation of funds, which

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<sup>14</sup> Ibid., xxi.

<sup>15</sup> Ibid., 112

was a result of the rise in the U.S. dollar. The economies of these countries were devastated for reasons totally beyond their control.

Since capital tends to return home - the center - in times of uncertainties it will be the periphery countries that will be burned most heavily and disproportionately. The voices of Wall Street and City of London claim that speculation is healthy as it corrects markets and makes them more efficient. Not so, said Soros. "When I sold sterling short in 1992, the Bank of England was on the other side of my transactions and I was taking money out of the pockets of British taxpayers."<sup>16</sup> Soros concluded that market fundamentalism undermines the democratic political process and the institutions of representative democracy are endangered, "and civic virtue, once lost, is difficult to recapture"<sup>17</sup>. Soros challenges the virtue of having money for the sake of making more money. Money, only when it is spent becomes a means to an end. But when money's object becomes making more money, competition becomes so strong "that even the most successful are reduced to the position of having to fight for survival"<sup>18</sup>.

In plain language Soros is saying in his 1998 book that finance capitalism as it currently is, acts as a wrecking ball against

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<sup>16</sup> Ibid., 196.

<sup>17</sup> Ibid., 200.

<sup>18</sup> Ibid., 207

economies. It is unattainable and it is a license to steal, as what he did when he speculated against the Bank of England was “taking money out of the pockets of taxpayers”. Soros did not make his statements from a high moral ground but because, as he said, he is worried that as is, the system is destined for self destruction.

Roger Terry, in his book *Economic Insanity*, finds it surprising that most Americans live under “the yoke of a system from which they are more or less excluded”. Most Americans are non-capitalists living in a capitalist system that was named after capitalists and was designed to serve them first and foremost. Terry challenges the basic assumptions of capitalism, which he considered flawed and thus unredeemable.

Terry says that capitalism isn't really about free markets or free enterprise. “Capitalism, like communism, is a philosophy about ownership. Over the years capitalism has come to mean ‘unrestricted private ownership of capital.’ ... The great misconception about modern capitalism is that it is a democratic economic system.”<sup>19</sup> In reality, Terry concludes, capitalism and communism are more similar than they are different. Both are authoritarian but differ in their distribution of wealth.

- In his new book *Come Home America* written in 2009, William Greider said that, “We live in a country where

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<sup>19</sup> [Roger Terry](#), *Economic Insanity: How Growth-driven Capitalism is Devouring the American Dream*, Berrett-Koehler Publishers, 1995, 97

telling the hard truth with clarity has become taboo....The news media did not help much, either, by generally adhering to conventional thinking and ignoring dissenting opinions.”<sup>20</sup> It seems that the establishment arrested the mood of the country for change and it advanced its candidate, Barack Obama to do its kind of change, thus preempting the necessary change to address capitalism’s systemic failure. However Greider believes that history cannot be deceived “ Given the deep forces at work, we hardly have a choice about how to react. The country has to change because, like it or not, the country is going to be changed by events and adverse forces that will not yield to our can-do optimism.”<sup>21</sup> He argues that the rest of the world recognizes the United States weakening position even if the governing elites do not. According to polls, 80 percent of Americans think the country is on the ‘wrong track’. America, as Afghanistan and Iraq proved, cannot enforce its policies by military means and American power can no longer intimidate adversaries like Chaves, Ahmadinijad, the Hizbullah, or even friends. Greider attributes five causes for the deterioration of American prospects:

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<sup>20</sup> [William Greider](#), *Come Home, America: The Rise and Fall (and Redeeming Promise) of Our Country*, Rodale, 2009, 1,2.

<sup>21</sup> *Ibid.*, 5.

- Globalization launched and led by the United States for six decades was profitable for the few, mainly capital and multinationals, but a losing proposition for the nation as a whole starting from the middle class and below. The country's production base was weakened as manufacturing was transferred abroad chasing after cheap labor, causing huge trade imbalances and dependence on debt for survival to maintain a standard of living the country no longer could afford. In order to project its power to maintain the dollar inflows from abroad, the United States created an empire of bases and overextended itself beyond its military and economic means.
- Militarism and its dominance of U.S. foreign policy: "...terrorism has been grandiosely redefined as the new cold war. Bases are being established in Muslim countries and, more commonly, the military is inserting thousands of special forces into obscure and very poor countries..."<sup>22</sup>
- The triumph of the free-market ideology, especially in the past thirty years destroyed the basis of an equitable society. The government switched sides favoring labor over capital through deregulation of industries and finance and regressive tax cuts. "The reigning conservative order, one could say, mainly produced more billionaires and more debt

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<sup>22</sup> Ibid., 19.

while leaving a broad wake of social dislocation and insecurity....the conservative order has essentially failed as an economic system and its advocates are in political disarray.”<sup>23</sup>

- The era of peak oil and the shifting in the supply and demand equation coupled with ecological changes will mandate profound industrial transformations that will dictate the redesign and retooling of practically all processes and products which will be a long and very expensive process.
- Representative democracy has been captured and deformed by the financial and multinational interests that benefited from this deformed and decayed democracy, and the voters are distanced from those in power. “Both parties collude to insulate themselves from voter retribution.... As these forces play out, I foresee a deep collision occurring between governing elites and the broad ranks of ordinary citizens, a bitter flourishing of class conflict.”<sup>24</sup>

Niall Ferguson, author of *The Ascent of Money*, (*The Penguin Press, New York, 2008*) explains that financiers in capitalism were

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<sup>23</sup> Ibid., 19,20.

<sup>24</sup> Ibid., 22,24.

always in power. He wrote that the financial house of Rothschild was responsible for the defeat of Napoleon, no less than Duke Wellington, the commander in the battle field. Ferguson wrote that “ through the history of Western civilization there has been a recurrent hostility to finance and financiers, rooted in the idea that those who make their living from lending money are somehow parasitical on the ‘real economic’ activities of agriculture and manufacturing.”<sup>25</sup> Speaking plainly, the financial economy is parasitic by nature and it burdens and exploits the real economy.

The average Americans making under \$34 000 per year have had a stagnated income since the financial economy overtook the real economy. Their income has scarcely changed since 1990. In 2007 for example, that average went up by 5 percent whereas the cost of living increased by 4.1 percent. In contrast, Goldman Sachs CEO, Lloyd Blankfein, received \$68.5 million in salary, bonus and stock awards, an increase of 25 percent on the previous year and roughly two thousand times more than the average American income. Global financial capitalism income disparity is worse outside the core countries of the West.

The same year, Goldman Sachs total assets exceeded \$ 1 trillion and its net revenue was \$46 billion. This one investment bank’s assets were more than the entire gross domestic product

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<sup>25</sup> [Niall Ferguson](#), *The Ascent of Money: A Financial History of the World*, Penguin Press, 2008, p. 2.

(GDP) of a hundred countries. The bank's total assets, for the first time, exceeded \$ 1 trillion.

According to Harper's Index/September 2009, the percentage change since 2002 in average premiums paid to large health-insurance companies was + 87 percent. The percentage change in the profits of the top ten insurance companies was + 428 percent. This was at a time that the average American income inched up less than one percent per year.

The measured economic output of the world in 2006 was about \$ 47 trillion but the total capitalizations of the stock markets were 10 percent larger at \$51 trillion. The domestic and international bond market was 50 percent higher at \$ 68 trillion. Scarier yet, the amount of derivatives outstanding was ten times more than the World measured economic output at \$ 473 trillion. Such financial instruments virtually did not exist before 1980!

George Soros made \$ 2.9 billion in 2007 so no one can claim he doesn't love the outcome of the system, as he is one of its acknowledged beneficiaries. His crusade to save the system from its excesses since the late 1990s is indicative of a sharp mind and a devotion to his class. He wants to save them from their greed that is leading to their self destruction. He wrote a new book, *The Crash of 2008 and What It Means* (Public Affairs, New York 2008). In his

preface he stated that he realized that the financial system has been in crisis for sometime, and that since the bankruptcy of the Lehman Brothers on September 12, 2008, he realized that the system had actually broken down. What differentiates this crisis from others is that it marked the end of an era of credit expansion that was based on the dollar being the international reserve currency. The financial markets (capitalism) are based on a false and misleading paradigm that the financial system tends towards equilibrium. Soros wrote about how the current crisis developed:

- The roots of the 2008 crash can be traced to the internet bubble of 2000. Within only few months the Fed cut interest rates from 6.5 to 3.1 percent and then to only 1 percent by July 2003.
- This created an explosion of leveraged buyouts and a housing bubble because for 31 consecutive months the base inflation-adjusted short-term interest was negative.
- Investment banks in Wall Street recognized that risks were involved but they devised imaginative devices and financial instruments to put the risk on what else: pension funds and hedge funds, such as structured investment vehicles SIVs which keeps their own positions off their balance sheets.
- Consequently, home values went up more than 40\$ between 2000 and 2005. Wall Street induced people to buy homes as

investments if they owned a home and more than 50 percent of the homes were purchased accordingly for speculation.

- To lure people to buy, Wall Street devised what they called teasers- a two year below market interest rate and an adjustable mortgage rate.
- Wall Street lowered the credit standards and people with low credit ratings were sold what became known as subprime mortgages.
- Real estate was sold to people with (no income, no job, no asset) and they called this NINJA!
- To further protect themselves, Wall Street investment bankers invented SWAPS where credit can be ensured and these instruments were called credit default swaps (CDS). \$42.6 trillion of CDS were issued compared to U.S. Stock Market valuation of \$ 18.5 trillion and the U.S. treasuries market of only \$ 4.5 trillion.
- The first alarm bell was sounded in early 2007 when HSBC fired the head of its U.S. mortgage division. The bank recognized \$ 10.8 billion on February 22, 2007.

- Two mortgage hedge funds of Bear Stearns failed in June but Fed chairman Ben Bernanke assured the world that the subprime problem was an isolated problem.
- Since the market neutral hedge funds are highly leveraged, many of them were wiped out. Banks started to suspect each other's transparency and financial position. They stopped lending to one another. Swaps were called and the problem was aggravated.
- It is generally agreed that the outbreak of the current crisis can be assumed to be in the month of August 2007 when the central banks had to intervene to provide liquidity to the banking systems. On August 9, French bank BNP Paribas suspended three of its investment funds sighting problems in the U.S. subprime mortgage sector. This resulted in the freezing of short term credit. European Central Bank (ECB) had to intervene and pumped 95 billion euros in the European banking system. The United States and Japan central banks also intervened. But the next day on August 10, ECB had to pump another 61 billion euros to ease the credit crunch. On August 13 ECB intervened again and pumped another 47.7 Euros. That same day Goldman Sachs said it will pump \$ 3 billion into a troubled hedge fund. On August 16, Countryside Financial had to draw all its \$11.5

billion credit line in that one day. Many banks and financial institutions were bordering on insolvency.

- “The panicky crisis that enveloped the US financial system in the early months of 2008 put the country on the brink of a historic catastrophe-the kind that can collapse the economy and destroy illusions that have ruled for a generation....In many ways, the power of bankers and the fraudulent illusions were fundamental causes in the unhinging of the US economy and the deforming of our representative democracy.”<sup>26</sup>
- “Wall Street got in trouble because it was selling bad ‘financial paper’ to investors-financial instruments that were inflated in value and falsely advertised. The volume of the most famous of these rotten assets - bonds that bundled the so-called subprime mortgages into marketable securities - mushroomed as the bubble in housing prices grew. The mortgage securities were sold to banks and investors around the world, including pension funds and local governments, as save and sound investments claimed to be virtually risk

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<sup>26</sup> [William Greider](#), *Come Home, America: The Rise and Fall (and Redeeming Promise) of Our Country*, Rodale, 2009, 37.

free with the Triple-A grades private rating agencies gave them.”<sup>27</sup>

- “The fantasy collapsed when the housing bubble burst and home prices started falling.....the brokerages, banks, and mortgage companies had already collected their profits upfront by taking inflated fees on the dubious transactions. Any remaining risks, bankers assumed, had been dumped on others, principally unwitting investors and hapless home owners. The bankers were mistaken. As the word spread among nervous investors, the specter of huge losses caused a full-scale panic. Institutions holding these poisoned U.S. assets tried to flee but discovered that nobody was gullible enough to buy them. In fact no one could say what the ‘paper’ was really worth. Other investors wondered what else Wall Street was hiding from its customers. Quite a lot, it turned out. Some of the biggest names- Citigroup, Bear Sterns, Merrill Lynch, Morgan Stanley- were themselves holding a lot of this bad paper, often conveniently hidden off the balance sheet in so-called special purposes entities, an accounting fiction legalized by financial deregulation during the Clinton administration. The sleight of hand banks used to conceal their portfolios of damaged assets was not so different from the phony book keeping that brought

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<sup>27</sup> Ibid., 39.

own Enron and other fraudulent corporations....The best minds of Wall Street, one could say, were brought down by their own accounting gimmicks- the innovations they had sold to Washington lawmakers as ‘modernization’”<sup>28</sup>

- “This crisis, unlike other previous episodes, cannot be explained away by blaming a few bad actors or random bad luck. This time, Wall Street has been disgraced because it failed on its own terms.”<sup>29</sup>

### *Inside the Meltdown*

To describe the size of the crisis encompassing the American and global financial markets, the following is transcribed from a program that aired on February 17, 2009 on the American television network PBS, Frontline - Inside the Meltdown 2009 02 17

ANNOUNCER: On September 18th, 2008, the secretary of the Treasury, Henry Paulson, and the chairman of the Federal Reserve, Ben Bernanke, arrived for an emergency meeting at the Capitol.

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<sup>28</sup> Ibid., 40.

<sup>29</sup> Ibid., 41.

JOE NOCERA, *The New York Times*: On Thursday, late afternoon, they go to Nancy Pelosi's office and there's a meeting of the senior legislators from both parties in both House and Senate.

ANNOUNCER: In the past seven months, they had bailed out one bank and let another one fail, nationalized three of the nation's largest companies, and watched in horror as the credit markets froze.

Sen. CHRISTOPHER DODD (D-CT), Banking Committee Chairman: It was obviously a big meeting. I had no idea I was going to hear what I heard. We turned it right over to Ben Bernanke and Hank Paulson.

Rep. BARNEY FRANK (D-MA), Financial Services Cmmt. Chairman: And they said they needed the authority to use \$700 billion dollars to unstop the credit markets.

Sen. CHRISTOPHER DODD: Sitting in that room with Hank Paulson saying to us in very measured tones, no hyperbole, no excessive adjectives, that, "Unless you act, the financial system of this country and the world will melt down in a matter of days. "

JOE NOCERA: Bernanke said, "If we don't do this tomorrow, we won't have an economy on Monday."

Sen. CHRISTOPHER DODD: There was literally a pause in that room where the oxygen left.<sup>30</sup>

Here they are, law makers including the Chairman of the banking committee and the chairman of the financial committee among others, and they are requested on a Friday to make decisions about bailing out Wall Street with \$ 700 billion, no questions asked and no study submitted but the good word of Paulson, a former Goldman Sachs CEO, and Ben Bernanke who, as is customary, was chosen to his job by Wall Street.

Ben Bernanke's PhD dissertation at MIT was about the Great Depression and he concluded that the major fault in handling the economy then was allowing banks to fail. He concluded that under no condition should the banking system be allowed to fail, and now he was practicing what he preached, and what he was brought to do at this critical time. As Bear Stearns was hours away from insolvency and bankruptcy, he arranged a marriage between the troubled bank and the giant commercial bank JP Morgan. Had Bear Stearns failed, JP Morgan itself was heavily exposed to the toxic mortgages of Bear Stearns and would have been seriously in trouble itself. As a bonus for the recklessness of these banks, Bernanke promised that the federal government would use \$30

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<sup>30</sup> <http://www.pbs.org/wgbh/pages/frontline/meltdown/etc/script.html>

billion to cover Bear Stearns' questionable assets tied to toxic mortgages. Paulson, though he publicly supported the deal, was opposed to it as he was opposed in general to government interference in the markets. Based on a legal concept of 'moral hazard' (plainly speaking a popular backlash), he warned his colleagues at Wall Street in the summer not to expect any bailouts from the government. After all, conservatives and their deregulated economy, mandate no such government role, especially meddling with Wall Street. However, only few months later Paulson saw the virtual collapse of Fannie Mae and Freddie Mac, the giant mortgage companies and he had to oversee their takeover by the federal government. Within days, in September, Lehman Brothers was on the brink of collapsing. Paulson and other conservative Republicans in Washington were against the bailout, so that giant bank collapsed, after no other bank was willing to buy it without a government deal similar to the one JPMorgan got.

The crisis snowballed. As economist Gertler said in the program "Inside the Meltdown":

We're no longer talking about mortgages. We're talking about car loans, loans to small businesses, commercial paper borrowing by large banks. This is like a disease spreading.<sup>31</sup>

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<sup>31</sup> <http://www.pbs.org/wgbh/pages/frontline/meltdown/etc/script.html>

The man who ran the American economy as Chairman of the federal reserve for 18 ½ years spanning for the major portion of the deregulated conservative era said in his October 23, 2008 testimony to the Congressional Committee of Government Oversight and Reform: “We are in the midst of a once-in-a century credit tsunami.”<sup>32</sup> According to CBS News, Alan Greenspan “denied the nation's economic crisis was his fault ... but conceded the meltdown had revealed a flaw in a lifetime of economic thinking and left him in a "state of shocked disbelief. Greenspan, 82, acknowledged under questioning that he had made a ‘mistake’ in believing that banks, operating in their own self-interest, would do what was necessary to protect their shareholders and institutions. Greenspan called that ‘a flaw in the model ... that defines how the world works.’”<sup>33</sup> The flaw that Greenspan discovered in the economical model he was leading is nothing less than the admission that Adam Smith’s ‘invisible’ hand to adjust markets does not exist, subsequently the theory behind Greenspan’s system is flawed. We need not add what else Greenspan said in his testimony such as him being in ‘a state of shock’ and not knowing ‘what caused the crisis’. It is sufficient that he discovered at age 82 that the system he was forcing on America and the world is flawed!

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<sup>32</sup> [http://money.cnn.com/2008/10/23/news/economy/committee\\_regulatory/](http://money.cnn.com/2008/10/23/news/economy/committee_regulatory/)

<sup>33</sup> <http://cbs2chicago.com/business/economy.financial.meltdown.2.846935.html>

Under the heading: “Paul Volcker: Economic Crisis May Be Worse than Great Depression”, the Associated Press reported that Volcker, the Chair of the President’s Economic Recovery Board, the former chairman of the Federal Reserve, spoke to colleagues during a lunch address at the Center on Capitalism and Society at Columbia University on Friday February 20, 2009 in New York. The conference hosted members of the private sector from around the world to share their views on the global economy. Volcker expressed not only the lack of understanding of the global financial meltdown but the shocking speed with which it had spread across the world. Volcker said: "I don't remember any time; maybe even in the Great Depression, when things went down quite so fast..."<sup>34</sup> He added that the breakdown of unbridled financial markets was “broken down in the face of almost all expectation and prediction,”<sup>35</sup> He doubted that “we will revert to the kind of financial system we had before the crisis”.<sup>36</sup> It is worth noting that Volcker himself was one of the main architects of that system!

On February 21, 2009, Reuters covered George Soros talk in that same Columbia University conference under the heading: “Soros Sees No Bottom for World Financial ‘Collapse’”<sup>37</sup>. Soros was reported as saying: "We witnessed the collapse of the financial

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<sup>34</sup> [http://www.huffingtonpost.com/2009/02/20/paul-volcker-financial-cr\\_n\\_168772.html](http://www.huffingtonpost.com/2009/02/20/paul-volcker-financial-cr_n_168772.html)

<sup>35</sup> Ibid.

<sup>36</sup> Ibid.

<sup>37</sup> <http://www.reuters.com/article/idUSTRE51K0A920090221>

system. It was placed on life support, and it's still on life support. There's no sign that we are anywhere near a bottom."<sup>38</sup>

Most experts, even those from the establishment seem to agree that at least this will never be the same after this financial crisis, because it brought to surface all the ills and weaknesses confronting the country. Among these vulnerabilities besides the system itself, grave issues must be addressed such as the massive indebtedness, the trade deficits, the cost of war mongering, capital needed to retool all processes of production and infrastructure in the post petroleum economy, and to address ecological issues that cannot be neglected any longer. Addressing these issues properly will be obstructed by the very same people who caused these problems, chief amongst them Wall Street, the financial institutions and multinational corporations. The former Secretary of Homeland Security Michael Chertoff of the second Bush Administration voiced his opinion in his talk titled "Why Washington Doesn't Work", at the John Kennedy School of Government in February 12, 2008:

I'm going to make the case that structural obstacles really run deeper than partisanship. They apply no matter who's in office. They apply whether the party that controls the White

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<sup>38</sup> Ibid.

House controls Congress, or whether there are different parties. But what they have in common is the ability to frustrate the pursuit of the common good.<sup>39</sup>

Nobel laureate Joseph E. Stiglitz said in an interview (Newsweek April 6, 2009): “What's clear is that the American model of corporate welfare —taking care of companies, but not of people—is broken.”<sup>40</sup> He said of Geithner’s plan to offload bad bank assets in the U.S: “It's terrible. Investors don't have to take responsibility—they can still walk away if it all goes bad. It's what I call American socialism—you socialize the losses and privatize the gains.”<sup>41</sup>

Stiglitz was critical of the administration’s bailout plan and called it “a giveaway to Wall Street” that would save the banks and screw the people. He vigorously opposed the deregulation and Reaganomics, and led a school of economics that held that the free market theorists were incorrect in saying that free markets are always efficient and self correcting. While at MIT studying Smith’s “invisible hand” that always corrects market behavior, he concluded that if such a theory was correct then the poverty and

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<sup>39</sup> [http://www.dhs.gov/xnews/speeches/sp\\_1203020606566.shtm](http://www.dhs.gov/xnews/speeches/sp_1203020606566.shtm)

<sup>40</sup> Rana Foroohar, <http://www.newsweek.com/id/191496>.

<sup>41</sup> Ibid.

unemployment that he witnessed during his youth should not have existed.

He developed complex mathematical models to disprove that theory. His Nobel Prize was based on his conclusion that financial markets are flawed when transactions are conducted between one well informed party (like Wall Street derivative traders and mortgage lenders) who exploit the uninformed masses who are much less informed or not informed at all. The subprime crisis was a classical example of that. "I was struck by the incongruity between the models that I was taught and the world that I had seen growing up,"<sup>42</sup> Stiglitz said in his Nobel Prize lecture in 2001. He believed that "Globalization opened up opportunities to find new people to exploit their ignorance. And we found them."<sup>43</sup>

Stiglitz objected to the way the Washington Consensus handled the Southeast Asian contagion, and he believed that pressure from the Treasury department under Robert Rubin was the reason the World Bank did not renew his contract as a chief economist. He is now a professor at Columbia University.

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<sup>42</sup> Joseph E. Stiglitz, "Information and the change in the paradigm in Economics", Prize Lecture, December 8, 2001 , [http://nobelprize.org/nobel\\_prizes/economics/laureates/2001/stiglitz-lecture.pdf](http://nobelprize.org/nobel_prizes/economics/laureates/2001/stiglitz-lecture.pdf)

<sup>43</sup> <http://www.newsweek.com/id/207390/page/1>

Another Nobel Prize laureate, Paul Krugman is certainly an East Establishment figure. He is a Princeton University professor of economics, and a column writer at the New York Times that finds “some news not fit to print.” But they find Krugman’s column ‘fit to print’. Newsweek magazine wrote:

In his twice-a-week column and his blog, *Conscience of a Liberal*, he criticizes the Obamaites for trying to prop up a financial system that he regards as essentially a dead man walking. In conversation, he portrays Treasury Secretary Tim Geithner and other top officials as, in effect, tools of Wall Street.<sup>44</sup>

Krugman called Tim Geithner’s policy towards a Wall Street bailout as “cash for trash”. He described the trade between the United States and China as such: "They give us poisoned products, we give them worthless paper".<sup>45</sup>

Even though Stiglitz and Krugman criticize financial capitalism, they remain champions of the capitalist order to which they propose cosmetic changes and they don’t seem to be able to get out of the system box.

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<sup>44</sup> <http://www.newsweek.com/id/191393>

<sup>45</sup> *Ibid.*

Economists or thinkers like Roger Terry will never be awarded a Nobel Prize. Not even a nomination. Roger Terry, in his book *Economic Insanity*, finds it surprising that most Americans live under “the yoke of a system from which they are more or less excluded”.<sup>46</sup> Most Americans are non-capitalists living in a capitalist system that was named after capitalists and was designed to serve them first and foremost. Terry challenges the basic assumptions of capitalism, which are considered flawed and thus unredeemable.

Terry says that capitalism isn't really about free markets or free enterprise. “Capitalism, like communism, is a philosophy about ownership. Over the years capitalism has come to mean unrestricted private ownership of capital, ... The great misconception about modern capitalism is that it is a democratic economic system.”<sup>47</sup> In reality, Terry concludes, capitalism and communism are more similar than they are different. Both are authoritarian but differ in their distribution of wealth.

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<sup>46</sup> [Roger Terry](#), *Economic Insanity: How Growth-driven Capitalism is Devouring the American Dream*, Berrett-Koehler Publishers, 1995, 19

<sup>47</sup> *Ibid.*, 97.

## *The Death of Money*

Nixon's decision forced the world off a gold standard and onto a dollar standard, from a fixed-rate system to a "floating no-system," as Helmut Schmidt, German Chancellor Willy Brandt's defense minister, called the new financial order. To many, the U.S. had committed the biggest act of economic extortion the world had seen. As gold skyrocketed to \$350/oz, ten times its official price, it was soon realized that anyone wanting to exchange gold for dollars would now receive just 10 percent of the value that was guaranteed under the Bretton Woods Agreement, which was the basis on which central banks and individuals alike bought dollars.

The money economy was now separated from the real economy that produced real goods and services. A new, speculative economy was unleashed, and with it a permanently unstable monetary system. This single decision heralded the "death of money" as people had understood it for some five millennia, and "casino" economics took over and burdened the productive economy. The world of long-term economic and trade activities measured against a fixed standard was dead.

One of the basic assumptions of American capitalism remained, however: unchecked economic growth. In 1972, the landmark study *Limits to Growth* set out the unsustainability of this notion vis-à-vis the population explosion as well as the finite

quantities of natural resources such as oil and gold. The report pointed out that the existing system based on limitless resources could collapse within a century, especially when population growth was taken into consideration.

The White House was not deaf to this message. In 1972, Nixon named John D. Rockefeller III chairman of a new presidential commission on “Population and the American Future.”

The commission’s conclusions laid the foundation for a National Security memorandum issued by Henry Kissinger in April 1974. This named population growth in developing countries rich in natural resources as “a U.S. national security concern of the highest priority”. It went on to call for the depopulation of areas known to have large reserves of strategic resources necessary for U.S. corporate growth. No restraint on the part of the corporations themselves was mentioned. Interestingly, most of the countries listed in this memorandum – Bangladesh, Pakistan, India, Indonesia, Nigeria, the Philippines, Turkey, Egypt, and Ethiopia (with Iran and Syria added later) – have large Muslim populations or are exclusively Muslim.

The paradox here is that the oil resources most needed for capitalism’s growth happen to lie beneath Muslim lands. As early as World War I, the imperial powers that subdivided the Ottoman

Empire's Middle East, drew the new boundaries of post-Ottoman states in such a way that the states with generous resources ended up with relatively small populations. On the other hand, states with large populations had comparatively little by way of natural capital.

A new world financial order now came into being. Under the new system, the dollar would be linked indirectly to "black gold": oil. But this required sweeping changes. Since the Middle East holds the world's largest reserves, Nixon instructed Kissinger to withdraw from the occupied territories in 1967 in return for recognition by its neighbors, according to Security Council Resolution 242.

It appears however that Kissinger had other plans in his mind. Nixon's preoccupation with Watergate made Kissinger *de facto* President of the United States, and he started to unroll his plans by preparing a staged Arab-Israeli war, then quadrupling the price of oil and, last but not least, imposing on the world the dollar as the only acceptable currency for oil trading. Thus, a new demand for the dollar was created which would allow the printing presses to continue printing dollars as long as oil is the principal source of energy. For this purpose, the Bilderberg conference of May 1973 was convened.

At Bilderberg, Walter Levy's study featured the actions needed to cope with a 400 percent increase in oil prices a full six

months before the event took place – and the participants' management plan for the flood of petrodollars resulting from the 400 percent oil price increase.

1973 was an eventful year. In June David Rockefeller initiated the Trilateral Commission. The stated aim of this private group of representatives from Japan, Europe, the U.S., and Canada was to foster closer cooperation between their regions, to manage the changes resulting from the post-Bretton Woods financial order, and to share leadership responsibilities in the wider world. Not an odd goal at a time of considerable political friction: but such a body would also, of course, be useful as a way of managing the effects on the international finance and trade system of the rise in oil prices. The agenda of the Trilateral Commission became the agenda of the U.S. administration, starting with President Carter himself. Many of his key staff were trilateralists, including Vice-President Walter Mondale, the Secretary of State, and National Security Advisor.

The third major event in the post-Bretton Woods order that occurred in 1973 was the Arab–Israeli war. The October War between Israel and the Egypt–Syria coalition ended with an oil embargo, and consequently, the anticipated increase in oil prices. But the hike did more than enrich the oil companies; it made the Alaska and North Sea discoveries feasible as the old prices were

below the cost of production in those areas. It also created demand for the U.S. dollar.

Gold was gone, but now the dollar was backed by oil. At the same time, oil was creating a demand for dollars. Nor has this situation altered much in the intervening years. At the beginning of 2006, oil was \$60 a barrel. At the world consumption of 82 million barrels a day, the U.S. Treasury is churning out almost \$5 billion in dollar currency every day, backed mostly by oil and a supposedly strong economy. Such an economy now suffers from an unprecedented debt burden which many economists believe is unsustainable. It is little wonder that the U.S. now wants its troops to sit tight on these oil resources, especially in the Muslim Middle East.

### *Guns and Oil*

Throughout 1973, war games and military plans were discussed in the upper echelons of government in Washington with the aim of physically occupying the oilfields of the Middle East. It was felt that the time was premature, but the plans were made nevertheless, the central command formed, and a step-by-step control implemented. Huge airbases and military cities were built using the petrodollars of the oil producers, and a U.S. naval presence in the Gulf was gradually increased. As we shall see later in

this chapter, it was a plan of phenomenal – even unprecedented – scale.

According to Robert Dreyfuss in *Mother Jones*:

“In the geopolitical vision driving current U.S. policy toward Iraq, the key to national security is global hegemony – dominance over any and all potential rivals. To that end, the United States must not only be able to project its military forces anywhere, at any time. It must also control key resources, chief among them oil – and especially Gulf oil.”<sup>48</sup>

Dreyfuss quotes Chas Freeman, an ambassador to Saudi Arabia in the first Bush administration, as saying that the new administration likewise “believes you have to control resources in order to have access to them.”<sup>49</sup> And given that President Bush today is denied sufficient access to oil in Alaska and elsewhere, “Iraq’s crude is readily accessible and, at less than \$1.50 a barrel, some of the cheapest in the world to produce”<sup>50</sup>.

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<sup>48</sup> *Mother Jones*, 29 March 2003,

<http://www.themodernreligion.com/terror/thirty-year-itch.html>

<sup>49</sup> Ibid.

<sup>50</sup> Ibid.

Fast-forward to today, with the Iraq's capital, Baghdad, surrounded by U.S. military might. Is the Bush administration preparing to solidify a long, planned, decades-old strategy?

"It's the 'Kissinger Plan'," says former U.S. ambassador to Saudi Arabia James Akins, who served under Secretary of State Kissinger. "I thought it had been killed, but it's back."<sup>51</sup> In the wake of the oil shocks of the 1970s, Akins says, a "screwy idea" was floated to American newspapers and magazines outlining a takeover of the Arab oilfields. "Then I made a fatal mistake," Akins claims.

"I said on television that anyone who would propose that is either a madman, a criminal, or an agent of the Soviet Union."<sup>52</sup> A short time later, Akins was told that the "madman" was his boss, Henry Kissinger, who reportedly had introduced the proposal during a senior background briefing. James Akins was fired soon after that.

Those who stood to gain in this post-Bretton Woods financial order were the multinational oil companies, American and British banks, and speculators on Wall Street and in the City of London. The losers were the developing countries which had to surrender their dollars to an inexorable process that would eventually deposit them in New York banks. One country after another in South

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<sup>51</sup> Ibid.

<sup>52</sup> Ibid.

America, Africa, and Asia started to face chronic deficits in its balance of payments.

According to the International Monetary Fund (IMF), the deficit borne by these countries grew by 400 percent in 1974 over its 1973 level. They began to borrow from Western banks to pay for oil, and the loans became a significant burden on their national economies. A debt trap was thereby created in which poorer nations had to resort to the IMF to avoid defaulting on their loan repayments. But the loans themselves were full of pitfalls. They came with conditions that effectively mortgaged the borrowing country's economy and imposed the notorious IMF "conditionalities" – agreed conditions that mandate free trade and open the door to the American financial community and transnational corporations. Under such pressure, a borrowing country's natural resources would be controlled or bought one after another, always at bargain basement prices, and the countries would gradually become hostages to the world financial community.

India is just one example. In 1974, India had \$629 million of reserves, half of which were sufficient to pay for its oil bill at 1973 prices. But the bill came in at \$1.241 billion. Overall, developing countries incurred a \$34 billion debt in 1974 – an unprecedented

amount. OPEC dollars were recycled to the big banks of New York and London, and now those banks could decide which country would be granted a loan and on what conditions. Meanwhile, debts continued to mount. Fully a third of the total annual budget of Jordan, for instance, is spent servicing its debt interest, while the debt itself is not reduced. At \$60 a barrel, its oil bill amounted to about 20 percent of GNP in 2005. America's oil bill in the same period was a comfortable 2.5 percent of its GNP.

Richer developing countries also found themselves filling Western coffers. In January 1974, for instance, the U.S. Treasury reached a secret agreement with Saudi Arabia, the largest recipient of petrodollars. The Saudi Central Bank (SAMA) appointed a Wall Street investment banker, David Mulford, as its "investment advisor." Mulford advised the Saudis to use their petrodollars mainly to buy U.S. Treasury bonds.

### *Funding Frenzy*

So the August 1971 decision to withdraw from Bretton Woods had a global impact. But Nixon's part in that story was by no means the main one. The American economy had been teetering on an insubstantial pile of banknotes for more than a decade.

In 1957, under President Eisenhower, more funds were leaving the U.S. than flowing in for the first time since the Bretton Woods system had been introduced in 1944. The reason lay

elsewhere: American banks were finding it far more lucrative to invest abroad than at home, and their primary loyalty was always to their own balance sheets. Multinational corporations started to invest and build production facilities where cheap labor was found – in Latin America, Europe, and Asia. The profits were kept abroad.

Then there was defense spending, now taking a massive chunk out of the U.S. economy. The country had to finance its military bases around the world as well as the war in Vietnam, where at its peak it had 589,000 troops. Another 600,000 military were deployed around the world, not to mention the thousands manning 600 warships in various fleets. Thousands of pilots and air force logistical personnel were posted overseas too. All needed dollars, and all those dollars stayed outside the U.S.

Lyndon B. Johnson, sworn in as president in 1963 after Kennedy's assassination, chose to print dollars beyond the value of gold stocks at Fort Knox rather than raise taxes to finance the war in Vietnam and the package of socioeconomic reforms known as the Great Society program. So more U.S. Treasury bonds were sold and the federal budget deficit ballooned. From \$3 billion in the early 1960s, it grew by 300 percent in 1967 and by 800 percent in 1968. By 1970, some \$1.3 trillion were lodged in the London

Euromarket. The U.S. was simply printing paper money without sufficient gold reserves.

Around this time the French president, Charles de Gaulle, and his financial advisors became suspicious of the gap between the volume of dollars in circulation and the gold reserves at Fort Knox. For this reason he wanted to develop independent economic and political policies for Europe and thus become more independent from Washington. With German Chancellor Konrad Adenauer, de Gaulle drew up the Franco-German Treaty. The Americans were alarmed and lobbied against it in Germany. Two days before the treaty was due to be presented to the German Bundestag, in 1963, Adenauer was voted out of office. The treaty was never ratified.

By that time, however, de Gaulle had succeeded in withdrawing France from U.S. economic pressures. In 1961, under President Kennedy, the U.S. had asked the central banks of the top ten industrialized countries to keep their dollars to ease the drain on its gold reserves and earn interest by investing in Treasury bonds – thus, in effect, financing America’s wars. De Gaulle urged the U.S. to devalue the dollar but this met with considerable opposition from the New York banks. Dollar liabilities abroad continued to soar, and with it the drain on U.S. gold.

In 1968, it happened all over again. The U.S. unveiled another scheme to the Group of Ten to create “paper gold” – a

substitute through the IMF termed “special drawing rights” (SDR). The French government opposed this, and Finance Minister Michel Debré insisted on a return to the Bretton Woods Agreement. France again asked for a 100 percent devaluation of the dollar against gold. Immediately afterwards, chaos descended on the country. Students at the University of Strasbourg rioted, and demonstrations and riots quickly spread across the country. American and British banks made a coordinated run on the French franc, draining French gold reserves by 30 percent before the end of 1968. Within a year de Gaulle was out of office.

These are the events leading up to today’s casino economy. Even oil has become a speculative commodity. Now, an oil cargo leaving the Gulf bound for Rotterdam will be traded some twenty times before reaching its destination. According to Joel Kurtzman, an economist and business editor at the *New York Times*, money itself is now light years away from its beginning in the temples of Sumer (now Iraq), 5,000 years earlier. As he writes in *The Death of Money*:

But money now is different. No longer is it a discrete object ... Money has been transmogrified. It is no more a thing ... It is a system ... In the new world of money, even the largest banks no longer need vaults. Instead, they store their money

on disk drives and computer tapes, and they protect those funds not by hiring brawny guards but by employing brainy Ph.D. mathematicians and software specialists to write secret codes.<sup>53</sup>

Kurtzman adds that the gulf between the real economy of products, trade, research, and services on the one hand, and the “financial economy” on the other, is huge: in the mid-1990s, the latter was twenty to fifty times larger than the former. “It is not the economy of trade, but of speculation.”<sup>54</sup> In it, financiers and financial speculation houses rule supreme. Someone like George Soros can take on even the Bank of England and win billions, or tackle the Southeast Asian currencies and cause financial and economic disruption.

### *Enter the Whiz Kids.*

In the world of speculation, he who gets the information first will have an edge. Also, he who analyzes data faster can make a better “bet.” So, the financial giants of Wall Street equipped their companies with the best scientists to run their computer programs. As Kurtzman notes:

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<sup>53</sup> [Joel Kurtzman](#), *The Death of Money: How the Electronic Economy has Destabilized the World's Markets and Created Financial Chaos*, Simon & Schuster, 1993, 11

<sup>54</sup> *Ibid.*, 12.

In 1990 at Jefferies & Company, an investment house headquartered in Los Angeles but with offices in New York and London, only two out of fifty people working on its automated trading system project had prior brokerage experience. The rest of the team was composed of mathematicians, economists, physicists, and computer designers. One of Jefferies' quants wrote the computer programs that NASA used to aim the Galileo spacecraft to Jupiter.<sup>55</sup>

Substantial rewards lure the top 'boffins'. Goldman Sachs, for instance, hired Fischer Black, an MIT professor of economics, in 1983. At MIT he was earning \$43,000 a year. After three years at Goldman Sachs he was making more than \$1 million a year. Another MIT mathematician, Lawrence E. Hilibrand, was hired by Salomon Brothers and in 1990 alone earned \$23 million.

The budgets for sophisticated high-tech equipment and research were also huge. During the 1980s, Wall Street firms were spending an average of \$3.4 billion annually on high-speed computers and other technology; by the early 1990s the figure was some \$7.5 billion. When Thinking Machines Inc. introduced their powerful CM-5 supercomputers in November 1991, the first orders to roll in came from the top science centers of Los Alamos,

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<sup>55</sup> Ibid., 23.

Berkeley, the University of Pittsburgh's supercomputer center, and American Express, which ordered two.

This capacity to spend vast sums of money has made a handful of the financial firms in Wall Street a virtual big players' cartel. Against their collective might, the reality for most developing countries is a state of extreme vulnerability.

Mexico is a prime example. When U.S. interest rates were low between 1991 and 1994 and Mexico's were higher, American fund managers found an opening for arbitrage – that is, borrowing in the U.S., “investing” in Mexico, and pocketing the profits resulting from this interest differential. After Mexico underwent financial “reform” – meaning that fund managers could exit with their money any time they pleased – money started to flow into Mexico, and American financiers and fund managers created a stock market bubble.

Within two or three years, stock prices had risen fourfold. Offshore investors held about 50 percent of the Mexican stock market and some 25 percent of government debt. Then they left, and the bubble burst. U.S. interest rates had started to pick up, and opportunities elsewhere were more tempting. Of all the investments that poured into Mexico, 75 percent went to financial markets and speculations and only 25 percent was invested in the country's productive economy – and even that was mostly confined to

multinational companies involved in intra-company trade and hence was isolated from the Mexican economy.

In early 1994, at the point when the U.S. interest rates began to rise, Mexico had reasonable foreign reserves of \$25 billion. But the constant hemorrhaging of financiers' "hot money" drained its foreign reserves until, by the end of the year, few were left and the Mexican peso had lost about half of its value in a matter of a few weeks. The country was in economic freefall.

## *CHAPTER 10*

*IT'S NOT RECESSION,*

*IT'S NOT DEPRESSION*

*IT'S SYSTEMIC CRISIS*

“I was explaining why the global capitalist system was unsound and unsustainable, but until the Russian meltdown in August 1998, I did not realize that it was in fact disintegrating.... The global capitalist system is based on the belief that financial markets, left to their own devices, tend towards equilibrium ... This belief is false. Financial markets are given to excesses and if a boom/bust sequence progresses beyond a certain point it will never revert to where it came from. Instead of acting like a pendulum financial markets have recently acted more like a wrecking ball, knocking over one economy after another.”<sup>1</sup>

George Soros wrote in his book *The Crisis of Global Capitalism* that “Nazi and communist regimes ... had a common feature: They laid claim to the ultimate truth and they imposed their views on the world by the use of force”. The United States now says one is either with it or against it. It is laying claim that its values are good for everybody and it is imposing these values with

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<sup>1</sup> [George Soros](#), *The Crisis of Global Capitalism: Open Society Endangered*, PublicAffairs, 1998, xi, xvi

all the resources it possesses, including military means. What Soros wrote carries special significance as nobody can accuse him of being an anti-capitalist, since he made several billion dollars in one week speculating against the British pound; even the Bank of England couldn't stop Soros. Nor can he be blackmailed as anti-Semitic, as Soros is a Jew himself. In the preface of his book he wrote: "I was explaining why the global capitalist system was unsound and unsustainable, but until the Russian meltdown in August 1998, I did not realize that it was in fact disintegrating.... The global capitalist system is based on the belief that financial markets, left to their own devices tend towards equilibrium.... This belief is false. Financial markets are given to excesses and if a boom/bust sequence progresses beyond a certain point, it will never revert to where it came from. Instead of acting like a pendulum, financial markets have recently acted more like a wrecking ball, knocking over one economy after another."<sup>2</sup>

Soros said that his views about the crisis of capitalism were summarized when he testified to Congress on September 15, 1998, after the Southeast Asian and Russian crisis. Following the financial collapse of Southeast Asia (many consider Soros himself a main cause) an economic collapse occurred. The result was that in Indonesia for instance, "most of the gains in living standards that

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<sup>2</sup> Ibid.

accumulated during 30 years of Suharto's regime have disappeared. Modern buildings, factories and infrastructure remain, but so does a population that has been uprooted from its rural origins."<sup>3</sup> Soros described the global capitalist system as a circulatory system, "sucking up capital into the financial markets and institutions at the center and then pumping it out to the periphery..."<sup>4</sup> directly as credit or portfolio investment or indirectly through multinational corporations. "The system is very favorable to financial capital."<sup>5</sup> Saying it another way, those who are not within the financial community, the center, have to labor and pump their money to "the few" in the financial centers, and those few will decide to pump some of it back to them, but they will decide when, how, to whom and for what. It will be pumped back with conditions attached.

"The few" at the center will retain profits and power, and they decide who shall live and prosper and who should not. Soros argues that as long as money "of others" keeps moving from the periphery to the center and as long as "the few" pump some of the money back, things are okay. But when the periphery is distressed beyond its elasticity limits, as normally is the case with the greedy

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<sup>3</sup> International economic turmoil: hearings before the Committee on Banking and Financial Services, U.S. House of Representatives, One Hundred Fifth Congress, second session, September 14, 15, 16, 1998, U.S. G.P.O., 1999, 86

<sup>4</sup> [George Soros](#), *The Crisis of Global Capitalism: Open Society Endangered*, PublicAffairs, 1998, xii

<sup>5</sup> *Ibid.*, 101.

capitalists, the whole system becomes endangered. What is needed, thought Soros, is an institution to protect “the few” against themselves and their greed, something like an international Federal Reserve System. The global system suffers from several flaws, said Soros. The banks’ and financial institutions’ balance sheets do not reflect the real exposure of these institutions as “banks engage in swaps, forward transactions and derivative trades among each other and with their clients. These transactions do not show up in the balance sheets of the banks”.

What worries Soros is the “pain at periphery has become so intense that individual countries have begun to opt out of the global capitalist system ... If and when the decline spreads to our economy”, which it did, “we may become much less willing to accept the imports which are necessary to feed the reverse flow of capital and the breakdown in the global financial system may be accomplished by a breakdown in international free trade”.<sup>6</sup> Soros added in his testimony to the U.S. Congress: “There is an urgent need to rethink and reform the global capitalist system.”<sup>7</sup> Market fundamentalism, unleashed by Reagan and Thatcher, “has rendered the global capitalist system unsound and unsustainable”. One good reason is because we have a global economy without a global

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<sup>6</sup> Ibid., 171.

<sup>7</sup> Ibid., 174.

society. “This situation is untenable.” Soros added that the prevailing values of the 19<sup>th</sup> century “combined a faith in reason and a respect for science with religious ethical tradition and on the whole provided a more reliable guide to what is right and what is wrong than the values that prevail today”. He added: “Monetary values and transactional markets do not provide an adequate basis for social cohesion.”<sup>8</sup> We are in agreement with this conclusion. Economists are pseudo-scientists. They are the priests of capitalism and they preach from the financial barons’ gospel. They try to sell the agenda of the “power structure”, whatever it may be, and give pseudoscientific arguments to give it credibility, performing their part in the creation of consent in the “vulgar ignorant masses”. Equilibrium, believes Soros, and so do we, is based on false analogy with physics.

Soros argues that global capitalism started in the 1970s with the increase of oil prices and the emergence of the Eurodollar market. It was given a boost by Thatcher and Reagan, and was further advanced by the collapse of the USSR. In the United States, as market fundamentalism took hold, “the burden of taxation has shifted from capital to citizens”<sup>9</sup>.

There is a conflict of interest between global capitalism’s center and periphery countries. In a crisis, lenders normally have

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<sup>8</sup> Ibid., xxi.

<sup>9</sup> Ibid., 112.

little to lose. What they may do is to roll over their loans, extend dates of maturity, but never abandon their loans. Often debtor countries are forced by IMF conditions to assume liability for commercial banks (as in Chile in 1982, in Mexico in 1994, and Southeast Asia in 1998). Even if the debtor countries do not pay their obligations in full, they will be obliged to pay to the maximum limit possible, which will obstruct their development investments. Lending at the periphery carries very little risk. Although the international debt crisis of 1982 was caused by the decision of the center country (U.S. raising interest rate) it was the debtor countries at the periphery that had to pay for it. Also, the Southeast Asian crisis was caused by speculation of funds, which was a result of the rise in the U.S. dollar. The economies of these countries were devastated for reasons totally beyond their control.

Since capital tends to return home - the center - in times of uncertainties it will be the periphery countries that will be burned most heavily and disproportionately. The voices of Wall Street and City of London claim that speculation is healthy as it corrects markets and makes them more efficient. Not so, said Soros. "When I sold sterling short in 1992, the Bank of England was on the other side of my transactions and I was taking money out of the pockets

of taxpayers.”<sup>10</sup> Soros concluded that market fundamentalism undermines the democratic political process and the institutions of representative democracy are endangered, “and civic virtue, once lost, is difficult to recapture”.<sup>11</sup> Soros challenges the virtue of having money for the sake of making more money. Money, only when it is spent becomes a means to an end. But when money’s object becomes making more money, competition becomes so strong “that even the most successful are reduced to the position of having to fight for survival”<sup>12</sup>.

Nobel prize laureate Joseph F. Stiglitz vigorously attacked the IMF and its programs that protected the financial community’s barons, yet brought disaster to those nations that received its conditions and deadly prescriptions. Stiglitz, himself an accomplished man of the system, a former top executive at the World Bank, Bretton Wood’s twin of the IMF, and chairman of President Clinton’s council of economic advisors, may be up to something! IMF’s reputation may be at such a low level that it is no longer the appropriate tool to extend the Anglo-American capitalism or to serve its barons. Rather than identify the system that created and managed the IMF as the problem, IMF is made the scapegoat. One can reasonably ask what advice Stiglitz gave President Clinton as his chief economic advisor when Clinton

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<sup>10</sup> Ibid., 196

<sup>11</sup> Ibid., 200.

<sup>12</sup> Ibid., 207

forced Indonesia to accept the IMF deadly prescriptions “as if it comes from the hand of God”.

*THE BOOM OF ILLUSIONS: The Economics of “Enronics”*

Lothar Komp, a German economist wrote in the Economic Intelligence Review, May 25, 2001:

There never was a “U.S. economic boom” during the 1990’s, ... Instead, there has been the emergence of the biggest speculative bubble in history, built on a “boom of illusions” and cheap credits for consumers and stock market investors, as well as corporate takeovers.<sup>13</sup>

The United States, the most indebted nation on earth, entered 2001 with a record combined debt of government, corporate sector and private households of \$26 trillion. U.S. consumers’ debt increased three times as much as in the early 1990s. This was accompanied by the worst collapse of U.S. savings since the Great Depression, according to the U.S. Department of Commerce graph that appeared in Lothar Komp’s May 25, 2001 article: “...the U.S. companies were adding \$1.5 trillion of new debt per year, eight

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<sup>13</sup> <http://www.larouchepub.com/other/2001/2820komp.html>

times as much as in the early 1990s.”<sup>14</sup> The overall debt in the U.S economy is rising four times faster than the GDP.

Mega-bankruptcies started to unfold in 2001. On March 7, the financial group Finora filed for bankruptcy, with \$11.3 billion of debt, one of the biggest bankruptcies in the United States. The company was taken over by the Berkshire Hathaway investment fund. The Financial Times reported troubling news about Lucent and Lucent stocks fell that day below its 1996 initial public offering (IPO) price, and 93 percent below its peak price in 1999. Motorola reported its first quarterly loss (1<sup>st</sup> quarter 2001) in 16 years. Telecom services provider Winstar communications filed for bankruptcy protection on April 18, 2001. Corporate bonds of Winstar were trading at a 2 percent value and its stock collapsed from \$65 the year before to thirty-five cents. PSINet, the telecom provider, announced on April 17, 2001, that it might have to file for bankruptcy and revealed \$3.2 billion losses in the first quarter of 2001. Its stock fell from \$34 the year before to twenty cents. California’s Pacific Gas & Electric filed for bankruptcy protection on April 6 with about \$9 billion in debt.

On April 23, 2001, Standard and Poor’s report on the 2001 global bond market stated that within the first-quarter of 2001, forty-eight large companies defaulted on a total bond volume of \$37 billion. This first-quarter 2001 figure almost equaled all the

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<sup>14</sup> Ibid.

bond defaults of 2000, which was in itself, then, a record year. Forty one of the forty-eight companies were from the United States, and the list included California PG&E and Southern California Edison, along with companies from the telecom, food and retail industries.

The policy of deregulation produced the telecom meltdown. But it also produced a peculiar electric energy crisis that almost crippled the economy of many states, including the state of California, the sixth largest economy in the world. The crisis was suspected to be a collusion between the likes of Enron, AES, Reliant or Duke Power, which manipulated high prices for electricity on the spot market. California had to institute rolling blackouts to protect the grid, starting March 19, 2001, when consumption was less than 30,000 Megawatts. Yet, seven months earlier, in August 2000, the consumption was 50 percent higher, at about 45,000 Megawatts, and the supply was normal. The state agencies suspected that too many power plants were taken off line to create shortage and drive prices up. These officials were physically stopped at the gates of some of these power plants when they wanted to investigate some of these plants. The state officials also appealed to the Federal Energy Regulatory Commission (FERC) to intervene and punish instances of price rigging and manipulation. Washington did not favor intervention. The result was that

California's total cost for electric power increased from an average of \$6-7 billion a year before deregulation, to \$27 billion in 2000, after deregulation. More shocking was that the suspicion about collusion between companies to raise prices, proved to be correct as internal memos taken from bankrupt Enron showed irrevocable evidence that Enron and the other energy suppliers did indeed collude and conspire to shut down power plants for no other reason but to raise the prices. The state officials who warned that the energy crisis was a conspiracy were shrugged off. Washington backs deregulations and the likes of those energy thieves and robber barons. Even though they unlawfully sold the interest of their country and its biggest economy, the state of California, the world was requested to yield to such unethical transnationalists. Deregulation was at the top of the transnational barons' agenda.

Prior to September 11, the third-quarter 2001 results were very alarming. The Economist reported:

- Bethlehem Steel filed for Chapter 11 - bankruptcy protection. America's second-largest steel maker joins 19 other steel companies that are seeking protection from creditors. The business was suffering from over capacity and competition from cheap imports even before America's weakening economy hit home.

- Polaroid also filed for bankruptcy. The instant-photo firm had been in poor financial condition for some years and will continue seeking a buyer for all or part of the company.
- British Telecom and AT&T agreed that it was time for the concert finale. The demise of their loss-making telecom joint venture will put 2,300 people out of work and cost \$7.3 billions. AT&T will suffer the most, with charges of \$5.3 billions.
- General Motors said that third-quarter profits had fallen by 54 percent, excluding charges of \$753 million.
- Ford announced a third-quarter loss of \$692 million. Ford lost \$752 million in the second quarter. These were the first consecutive quarterly losses since 1992.
- IBM said that profits in the third quarter were down by 19 percent compared to the previous year.
- INTEL said that profits in the third quarter were down by 96 percent, in line with expectations.
- Citi group, an American financial-services giant, said that profits in the third quarter were down by 9 percent.

- Merrill Lynch announced third-quarter profits down by more than half and announced 2,300 jobs cuts to reduce cost.
- Bank of America announced that profits had fallen by 54 percent in the third quarter compared to the previous year.
- The CEO of the \$100 billion-worth company Enron, one of the seven largest U.S. companies, resigned in August after he realized that Enron was living on borrowed time. The company went bankrupt and collapsed few weeks afterwards.
- Finland, according to the Economist, quoting “The Global Competitive Reports”, replaced the United States as the most competitive economy in the world, even though Finland’s economy has rigid labor markets, powerful unions and high tax rates, contrary to all that Anglo-American economists preach as a good prescription for a competitive economy!
- In August, the employment report indicated that non-farm payrolls had 113,000 jobs fewer than the month before.
- Five months before September 11, 2001, David Smith, CEO of Sycamore Networks Inc., told Wall Street analysts that his company’s main customers are slashing their budgets

and the current quarter sales will be disappointing, amounting to \$50 to \$60 million, which is about \$100 million less than forecast earlier. His shares lost 20 percent in one day and came down to \$7.25 a share from its 52 week high of \$172.50. What was happening to Sycamore Networks Inc. was part of a meltdown of the telecom sector. In those few months before September 11, seven American upstarts had filed for bankruptcy and at least a dozen more were expected to do the same shortly. The telecom industry debt in the U.S. and Europe was estimated at \$700 billion. The telecom meltdown could cost \$150 billion and have a snowball effect on other sectors of the economy. Worst, the meltdown will very likely affect some of the U.S. financial institutions, as telecom companies continue to default.

Economist Lothar Komp thought that the current financial system, the backbone of the transnational financial robber barons and the New American Empire, was experiencing a system failure - not a recession. "There never was a 'U.S. economic boom' during the 1990s ... instead, there has been the emergence of the biggest speculative bubble in history, built on a 'boom of illusions' and cheap credits for consumers and stock market investors, as well as

corporate takeovers,”<sup>15</sup> he wrote in the May 25, 2001, issue of Economic Intelligence Review, a Washington DC-based weekly. The figures seem to support Komp:

Layoffs: The number of layoffs in the U.S. Internet sector in the second half of 2000, rose 600 percent, compared to the first half. Also, 210 Internet firms went bankrupt.

In December 2000, the U.S. automobile and retail sectors lost 133,713 jobs, the highest monthly number in eight years.

In January 2001, an additional 142,208 people lost their jobs in this sector.

In April 2001, 166,000 layoffs were reported.

Total job cuts in the first four months of 2001 added to 421,000, the highest level in five years.

Earnings: The 2001 first quarter reports of top U.S. companies were the worst in ten years. Intel, the world’s biggest PC chip producer and General Motors, the world’s biggest automobile producer, reported 80 percent to 90 percent crash of their quarterly profit. Lucent Technologies reported a \$3.7 billion loss and Daimler Chrysler reported a \$3.3 billion loss! JDS Uniphase, the largest producer of fiber

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<sup>15</sup> Ibid.

optics equipment, reported a five-fold increase of losses in the 1st quarter of 2001, compared to their losses in the first quarter of 2000. Many companies resorted to deception and reported profits before interest, taxation, depreciation and amortization!

Economic indicators: Most of the indicators fell in the first quarter of 2001 to levels not seen for a decade or more. In April, 38 percent of the industrial managers participating in a National Association of Purchasing Managers (NAPM) survey said they were worried or pessimistic. This is the highest figure on pessimism since NAPM records started in 1962.

*The High Tech Industry Top Executives Were More Expressive:*

Steve Jobs, Apple Computer chief, said to analysts on February 2001: “I believe the economy is going through a nuclear meltdown.”

Hans Geyer, Intel vice-president, said on February 23, 2001, commenting on the hundreds of billions of capital spent by the telecom industry just to buy new licenses: “We are facing a situation where the industry is headed for

bankruptcy, even before UMTS (next generation mobile phone) first call will have been made.”<sup>16</sup>

Bill Aylesworth, chief financial officer of Texas Instruments, commenting on his company’s 37 percent decline in first-quarter orders, said on April 17, 2001: “This is the sharpest deceleration that the semiconductor industry has ever experienced.”<sup>17</sup>

John Roth, chairman of the board of Nortel Networks, said at the Canadian Club in Toronto on February 18, 2001: “This is the most abrupt downturn that the U.S. has ever experienced.”<sup>18</sup>

John Chambers, the CEO of Cisco, the biggest producer of Internet services, said on February 17, 2001: “It makes no difference what the Federal Reserve or the latest statistics say, what we see now is absolutely not a soft landing.... Ask anyone in the American manufacturing industry and he will say we are in a recession.”<sup>19</sup> On April 16, Chambers compared what was happening to a “100-year flood” hitting the tech sector. “Not only did it occur in our lifetimes, but the magnitude was about five times what we thought

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<sup>16</sup> Ibid.

<sup>17</sup> Ibid.

<sup>18</sup> Ibid.

<sup>19</sup> Ibid.

possible ... We never built models to anticipate something of this magnitude...”<sup>20</sup>

Between March 10, 2000, and the end of the first quarter of 2001, the Nasdaq stocks market value fell from \$6.7 trillion to \$3.3 trillion. The six largest Nasdaq companies dropped from their maximum in 2000 (\$2.362 trillion) to \$914 billion as follows:

- Cisco systems            From    \$590 billion    to    \$118 billion
- Microsoft                From    \$640 billion    to    \$360 billion
- Dell Computer            From    \$154 billion    to    \$ 72 billion
- Intel                      From    \$510 billion    to    \$219 billion
- Sun Microsystems        From    \$208 billion    to    \$ 62 billion
- Oracle                    From    \$260 billion    to    \$ 83 billion

The market capitalization of the 5,000 American companies that make the Wiltshire 5000 index plunged from \$16.96 trillion to \$11.6 trillion, a loss of \$5.34 trillion. VA Linux Systems, for example, a computer company that had no earnings whatsoever, no track record, no experience and was not expected to make a penny in the foreseeable future, had a 700 percent increase on December

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<sup>20</sup> Ibid.

9, 1999, the first day of its initial public offering! This is how many of the legends of the so-called new economy were born.

Louis V. Gerstner, chairman and CEO of IBM, noted in a *Business Week* commentary (March 27, 2000) that there are two very distinct phenomena that are treated by some as one, but they are not.

The first phenomenon – which has been building up over several years now -- is this extraordinary, perhaps unprecedented, selectivity in investment. Some technology companies are increasing in value at incredible rates, while everything else is in the bear market. According to one mutual- fund manager, in 1999, the stocks of companies with no earnings were up an average of 52%, while stocks with real earnings were down. As a result, many CEOs of traditional companies are wondering what to do to give their stock price a boost. The second phenomenon is, of course, e-business. It really does present CEOs with an extraordinary opportunity to transform their companies' competitiveness,...<sup>21</sup>

Even in the supposedly rosy years of the 1990s, things in reality were not rosy. Whereas the Standard and Poor's 500 stock index rose by about 50 percent, the profits were far less than that. On July 27, 2001, about seven weeks before September 11, 2001,

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<sup>21</sup> Louis V. Gerstner, *Blinded by Dot-com Alchemy*, *Business Week*, March 27, 2000, [http://www.businessweek.com/2000/00\\_13/b3674111.htm](http://www.businessweek.com/2000/00_13/b3674111.htm)

the government's statisticians lowered their estimates based on real data they received from tax returns from big and small companies alike. Whereas the financial speculators were in their heyday between 1995 and the first quarter of 2001, the revised data shows no growth in the non-financial companies. New tax return data for 1995 and 1999, and revised estimates for 2000, revealed that small companies were losing big. The size of the losses of smaller companies for 1999 now indicates the staggering figure of \$300 billion, 50 percent more than the 1997 figure. Michael J. Mandel commented: "As data comes in, the revision will continue. But one thing is certain: Investors clearly were paying more for stocks and taking more risk than they realized."<sup>22</sup> In other words, investors were looted by Wall Street financial speculators. Small companies, in America or elsewhere, are being smashed by the Anglo-American capitalism, and it is always the small and less-informed investor who is robbed in the casino of the New Economy and Wall Street.

Robert J. Samuelson asked in an April 17, 2001, commentary in *Newsweek*: "What is the New Economy? It mainly seems to be a state of mind, a conviction that, through the marvels of technology, the economy has entered permanent bliss. There is all promise and no peril. This super confidence has itself altered the economy's

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<sup>22</sup> Michael J. Mandel, "Where Did All the Profits Go?", *Business Week*, August 27, 2001,

[http://www.businessweek.com/magazine/content/01\\_35/b3746043.htm](http://www.businessweek.com/magazine/content/01_35/b3746043.htm)

behavior, causing a stock-market boom and a consumer-spending spree. The future seems to be so bright that people have less reason to be fearful or perhaps even prudent. The stock market's rebound last week reflected this confidence. But here also lies vulnerability. If anything shakes the super confidence, which went up-stocks, retail sales could go down. Then the New Economy might look like the Old." The mouthpiece of Wall Street and the media owned by them, combined the power of their finance with the power of information, and produced the infofinancial capitalism that they called "the New Economy".

The Enron story is the story of the New Economy and the story of America. Its chairman, Kenneth I. Lay, is a king-maker who, like the rest of the robber barons, through influence and money, makes or breaks politicians and buys legislations through the power of financial political donations and lobbies. He is a close friend of the Bush family and one of the biggest contributors to its political campaigns. He pressed the administration to embrace the controversial policy of electricity deregulation. Only less than a year from its collapse, Enron was the seventh largest company in revenues, which totaled in 2000 some \$101 billion, and its stock market capitalization reached \$63 billion. Enron shares traded at \$21.50 a share in December 31, 1996, peaked on August 17, 2000, to \$90 a share and hit sixty-one cents a share on November 28, 2001. It turned out that Enron was made of a house of cards and

was trading in -you name it - electricity, gas, metal, telecom bandwidth, credit insurance and even weather derivatives. For some unexplained reason, Enron CEO Jeffrey K. Skilling resigned abruptly after holding the CEO job for about six months and without collecting severance pay, something that added suspicion to his sudden departure.

Enron was a true representation of the parasitic, speculative economy named fashionably the New Economy. If parasitic sounds harsh, by definition it is living on others, in this case, the productive economy. “In the old days, people worked for the assets,”<sup>23</sup> said former Enron CEO Jeff Skilling. “We’ve turned it around – what we’ve said is the assets work for the people.” Business Week (December 17, 2001) wrote: “To former Enron CEO Jeffrey K. Skilling, there were two kinds of people in the world: those who got it and those who didn’t. ‘It’ was Enron’s complex strategy for minting rich profits and returns from a trading and risk-management business built essentially on assets owned by others.”<sup>24</sup> A former senior Enron executive said: “Jeff’s theory was assets were bad, intellectual capital was good.”<sup>25</sup> According to Business Week, Enron’s strategy “grew so complex that (Skilling’s)

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<sup>23</sup> The Fall of Enron, *Business Week*, December 17, 2001, [http://www.businessweek.com/magazine/content/01\\_51/b3762001.htm](http://www.businessweek.com/magazine/content/01_51/b3762001.htm)

<sup>24</sup> Ibid.

<sup>25</sup> Ibid.

boss couldn't get a handle on it.”<sup>26</sup> Business Week amazingly adds: “Neither did many others. Bankers, stock analysts, auditors, and Enron's own board failed to comprehend the risks in this heavily leveraged trading giant.”<sup>27</sup> Enron's bankruptcy filings show \$13.1 billion in debt to the parent company, \$18.1 billion for affiliates; \$20 billion existing in off the balance sheet losses. It was revealed that Skilling and some others of Enron top management sold their stocks at good prices when they saw things getting out of control. If this is true, and one has no reason to suspect it isn't, then add many Enrons together and you will end up with a U.S. New Economy, one that no one understands where it will lead: neither Wall Street, nor its cronies in Washington. And as in Enron, most of the suffering will be done to the likes of the 100 million Americans, the new Investor Class that was welcomed to the New Economy, Wall Street style of welcoming. What drives the world is America. What drives America is Wall Street. What drives Wall Street is anxiety and greed.

One only hopes that Bush's son will not blame Osama Bin Laden instead of his friend and campaign donor Kenneth Lay for Enron troubles. If it is true that the American capitalist economy always needed wars to get out of recessions, depressions and economic disorder, it seems that September 11 and the ten-year war promised by Bush shortly after it was a necessity brought about, if

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<sup>26</sup> Ibid.

<sup>27</sup> Ibid.

not by Osama Bin Laden, by somebody else, much more powerful. The robber barons wanted to distract the masses – the Investor Class -- away from the cause of their troubles. September 11 became a weapon of “mass distraction”.

The New York Council on Foreign Relations (CFR) is one of the most powerful institutions in the United States; there, policy alternatives are studied and, in most cases, the alternative recommended by CFR becomes the policy of the Power Structure establishment and its agenda. Such agenda becomes the platform for the elected officials who owe their offices to the influence and contributions of the owners of the Power Structure.

On July 12-13, 2000, CFR ran a scenario titled “*The Next Financial Crisis: Warning Signs, Damage Control, and Impact*”. Earlier scenarios, that were not made public, included how a major terrorist attack would cause a meltdown to the U.S and world economy, and steps to prevent such a meltdown in a very volatile system. The scenario was part of a public report on the “Financial Vulnerabilities Project”. The public scenario assumed that somehow, the United States president will be incapacitated and the “establishment” will have to step in. Interestingly, when September 11 attacks occurred, Vice-President Dick Cheney took charge and went to the situation room with the “establishment”, as the president of the United States was out of Washington, in Florida.

Of course Cheney, the more seasoned establishment figure, kept the president informed about the events. The financial markets were kept under reasonable control, considering the circumstances. On September 14, 2001, the CFR updated the 2000 scenario at a meeting it held at the St. Regis Hotel in Washington DC. The event was named “The U.S. Commission on National Security for the 21<sup>st</sup> Century: After the Attack A New Urgency”. Former CIA director R. James Woolsey was one of the CFR members who played a key role in the “Financial Vulnerabilities Project”. CFR promoted the reorganization of domestic intelligence and emergency management organizations. Bush Jr. complied, and three days later the Homeland Defense Security Agency (HDSA) was announced. Pennsylvania Governor Thomas Ridge was named to head HDSA and was given Cabinet-member status. At the September 14 event, former House Speaker Newt Gingrich monitored the answer and question period. He said that to “break the back of state sponsored terrorism, and probably do it within two to three years.”. He added: “We are at war”.<sup>28</sup> CFR, the media, and the rest of the Power Structure establishment’s organizations, kept mobilizing the American people for a war, a long war of two to three years, according to Gingrich, or many more years, according to Bush Jr.

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[http://www.cfr.org/publication/4049/national\\_security\\_in\\_the\\_21st\\_century.html](http://www.cfr.org/publication/4049/national_security_in_the_21st_century.html)

All the problems and ills of Wall Street and its Washington-hired hands were suddenly blamed on September 11. According to many, September 11 was a blessing to Wall Street. Robert J. Barro, a professor of economics at Harvard University and a senior fellow of the Hoover Institution, wrote in *Business Week* a few weeks after September 11: “My main conclusion is that the current war (against terrorism) will be expansionary and will, therefore, help the U.S. economy recover from its current slowdown.”<sup>29</sup> This is in line with similar situations, such as World War II, Korea and Vietnam. Coincidence, but probably not: the United States entered a recession in July 1990, the Iraqi invasion was on August 1990, and the United States was out of recession after the Gulf War. James Baker III told Congress that the crisis with Iraq is “about jobs”. According to Barro’s study, September 11 was a plus to the economy and not the cause of its problems.

In order to stockpile arms for his administration’s projected wars for the New American Empire, Bush Jr. started dramatic increases in defense spending. The timing, in the first quarter of 2001, was also to pump money into the U.S. economy. The Defense Department ordered \$6.832 billion in February 2001, an increase of 25 percent over January. In March, the figure went dramatically

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<sup>29</sup> Robert J. Barro, “Why the War against Terror will Boost the Economy”, *Business Week*, November 5, 2001, [http://www.businessweek.com/magazine/content/01\\_45/b3756038.htm](http://www.businessweek.com/magazine/content/01_45/b3756038.htm)

up, to \$11.196 billion, an additional 64 percent increase over February. A \$50-billion program was announced for “cyber warfare” to prevent and retaliate against Internet attacks. The Defense Department spendings were on tanks, ships and missiles. However, despite these desperate massive expenditures, the economy continued to deteriorate.

*September 11—No One is More Blind than He who Does Not Want To See*

The United States of America is crowded with the most sophisticated intelligence and technical capabilities in the world. Not one, but many intelligence agencies operate domestically and internationally, and sophisticated systems of coordination between these agencies were thoroughly worked out. Among such intelligence agencies are: Central Intelligence Agency (CIA), the Defense Intelligence Agency (DIA), separate Army, Navy, and Air Force intelligence services, State Department Intelligence Agency, the Bureau of Intelligence and Research (INR), the Atomic Energy Commission Intelligence, the Federal Bureau of Investigations (FBI), and last but not the least, the National Security Agency (NSA), which is the largest of all intelligence agencies. NSA’s echelon system overseas and monitors all communications, private and governmental, through very highly developed technologies; it is the electronic eavesdropping arm of U.S. intelligence. It warned President Bill Clinton that a certain foreign embassy was

eavesdropping on his conversations with Lewinsky, and based on that fact Clinton stopped such phone conversations. When the USSR denied giving instructions to shoot down the civilian Korean plane that flew over Russian territory, the NSA produced the complete radio communications between the Russian MiG pilot and the ground station command, ordering the MiG to shoot the civilian plane. Even at the very early stages of satellite photography, through imagery enhancement, NSA satellites could count Soviet tanks, and through refinement of the basic photography, they could determine their working conditions. The U.S. and NSA have spy ships in the oceans, satellites and AWACS in the sky, round the clock and around the world. All the air traffic to and from the U.S. is intercepted, and messages are classified and directed to those concerned. In the CIA headquarters, a comparator is parked on a seven-ton slab of granite to isolate its sensitive mechanism from building vibration. The brain at CIA headquarters in Langley is a computer-disc farm in a room the size of a football field, plus seven giant silos, each containing 6,000 magnetic computer tapes that robots load. Tens of thousands of satellite photos are fed into the disc farm's Cray 4mp supercomputers, which play back animated cartoons of the streets, bazaars, buildings or whatever the CIA or its operations want to monitor. Intelligence agencies can break into personal or supercomputers and copy their data without the need *to*

physically be at the location of these computers. With a small invisible beam sent from a transmitter hundreds of feet from a window, window vibrations can be amplified and the conversation inside a room recorded. There are many more technological breakthroughs that are not made public.

Immediately after the September 11 attacks, the United States government announced that a man living in a cave half a world away was responsible for these attacks, and that all the army of intelligence agencies were outsmarted by this “superman”. The alleged superman was Osama Bin Laden, a Saudi Arabian-born billionaire lured by the CIA to conduct Jihad against the communist infidels of the USSR who had invaded Afghanistan. Whereas his motives were indeed to conduct Jihad to free a Muslim country, he coordinated his activities with the CIA, *out of conviction* and not for worldly rewards. Thus, his psychological profile, resources, organizational capabilities and all must have been very well known to the CIA and the American intelligence communities. As the CIA penetrates friends and foes alike, it would be reasonable to assume that Bin Laden’s organization was thoroughly penetrated during and after the Soviet rule in Afghanistan. It is also known that the Taliban were a creation of the Pakistani intelligence community, which has very “special” professional and technological ties with the CIA. Equally important, the U.S. intelligence community had an Executive

Order, dating to the Clinton administration, to monitor Bin Laden and Al-Qaeda. This will make it almost impossible for any moves of Al-Qaeda to escape undetected. The disclosure, released in May 2002, by the Democrats that the intelligence community gave one warning after another, prior to September 11, of an imminent attack will support this assumption. Even the World Trade Center was specified by name as a probable target. According to the American official story, Osama Bin Laden, from his cave, outsmarted the world's only superpower and its fifteen intelligence agencies.

## *CHAPTER 11*

### *GLOBALIZATION: The One World Government Project*

“Banking was conceived in iniquity and was born in sin. The bankers own the earth. Take it away from them, but leave them the power to create money, and with the flick of the pen they will create enough deposits to buy it back again. However, take it away from them, and all the great fortunes will disappear, and they ought to disappear, for this would be a happier and better world to live in. But, if you wish to remain the slaves of bankers and pay the cost of your own slavery, let them continue to create money.”

*Sir Josiah Stamp, (Encyclopedia Wikipedia)*

In a 1941 *Life* editorial “The American Century,” *Time* magazine publisher Henry Luce announced the goal of American world domination at the start of the war. He wrote: “We must accept whole-heartedly our duty and our opportunity as the most powerful and vital nation in the world and in consequence to exert upon the world the full impact of our influence, for such purposes as we see fit and by such means as we see fit.”<sup>1</sup>.

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<sup>1</sup> *LIFE* magazine, Feb 17, 1941, Vol. 10, No. 7, p. 63, Time Inc

The editorial was reprinted and circulated widely, appearing in full in the *Washington Post* and, for good measure, in the mass-selling *Reader's Digest* to give it a global audience. Although he did not include the point in this editorial, Luce would soon argue, also in the pages of *Life*, for pre-emptive nuclear war against the Soviet Union.

It is interesting to note that George W. Bush echoed Luce's words – “our duty and our opportunity”<sup>2</sup> – in his West Point address announcing the Bush Doctrine of pre-emptive warfare. It hints that the American elite share a common, longstanding preoccupation with world domination and pre-emption. Pre-emption certainly seems to have characterized much of U.S.-inspired conflict: it can be argued that the Cold War, CIA covert wars, and overt American wars were mostly unprovoked, preemptively waged, and fought more often than not on false pretexts. It is no incidence that America's staunch ally, Israel adopted the preemption doctrine, long before George W. Bush made it official U.S. policy. When people allege that the movers and shakers of the global capitalist order plotted to create a ‘One World Government’, they quickly respond that these allegations are nothing more than ‘conspiracy theories’. After the collapse of communism, building an American dominated global empire became an open secret and

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<sup>2</sup> Ibid.

American officials talked about overtly starting with George Bush Sr. The building of this new global architecture continued during the Clinton years but accelerated and became pronounced during George W. Bush terms under one pretext or the other, including the so called War on Terror which many people around the world call a war of terror. The Bush Doctrine is but one building stone in the construction of this new world order which became based on American preemption and unilateralism. To give the so called 'conspiracy theorists' some food for thought, Bush father and son both belonged to a super secret society of Yale University, Skull and Bones. Henry Luce also belonged to that society which is so secret that it mandates its members to leave the room if its name was ever mentioned by a non-member. Clinton also was a graduate of Yale University that till this day has Hebrew on its emblem.

Isaiah Bowman, who led the Peace and War Studies group that constructed the post-World War II order, and lay in place the global financial and political infrastructure, sponsored a publication by Robert Strausz-Hupé, who founded in 1955 the Foreign Policy Research Institute (FPRI). The institute was initially part of the University of Pennsylvania. Strausz-Hupé began, in 1957, publishing the quarterly *Orbis*, a journal of world affairs. On its editorial board was William Yandell Elliot, from Harvard School of Government, and his student Henry A. Kissinger, both members of the founding editorial board of advisors. The institute's long-

term mission was to promote an American empire, without nation-states, in a post-Soviet world. The lead article of the first issue of *Orbis*, by Strausz-Hupé, titled “*The Balance of Tomorrow*” (reprinted in the winter 1992 issue, after the fall of the Soviet Union, in order to re-commit FPRI to its founding imperial mission) said:

The issue before the United States is the unification of the globe under its leadership within this generation. How effectively and rapidly the United States will accomplish this task will determine the survival of the United States as a leading power, probably the survival of western culture, and conceivably the survival of mankind. ...will the coming world order be the American Universal Empire? It must be that - to the extent that it will bear the stamp of the American spirit.<sup>3</sup>

The new threat to this vision and the new American empire would be coming from Asia, according to the *Orbis* article. “The American empire and mankind will not be opposites but merely two names for the universal order ...”<sup>4</sup> Most of the Muslim world and China are in Asia.

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<sup>3</sup> *Orbis*, Volume 1, [Science Direct, Foreign Policy Research Institute, University of Pennsylvania. International Relations Graduate Group](#), Foreign Policy Research Institute, 1966, 14.

<sup>4</sup> *Ibid.*

These are no ordinary people, but people who were brought to the most influential seats of American power with this vision, obviously to see it through. The words and phrases used are very unambiguous.

Yandell Elliot, the mentor and professor of the clash of civilizations heroes Huntington, Kissinger, Brzezinski, was on the founding editorial board, and Huntington himself, as well as Princeton University-based British geopolitical professor Bernard Lewis (who was the first to coin the term clash of civilizations), were on FPRI's advisory board. After the collapse of the USSR, the U.S. started its drive overtly to implement the New World Order: an 'American Universal Empire' using the exact words of Orbis.

The War and Peace Study Groups concluded that direct colonization was neither desired nor necessary. This new form of imperialism has its own prerequisites to function properly:

- Free trade be ensured to enable global markets to be opened to corporations. Thus, the age of corporate imperialism replaced the old colonialism of physical occupation of other must states. It is more devious and insidious than direct colonialism. It is almost invisible.
- Free access to raw materials of other people and countries, and without stress regarding price or quantity.
- Free hand to financiers to invest and collect their profits without barriers.

- Necessary international and financial institutions to manage the new global vision.

In 1945, the United States decided to stop its lend-lease not only to the Soviet Union but also to Britain. This was probably understood, as far as the Soviet Union was concerned, but some assumed that it was also a message to Britain that a new post-World War II order was being reconstructed, and that it was the United States that was calling the shots. Once that was made clear, European reconstruction became an American priority. The Marshall plan for European recovery was approved by Congress in 1948, and a \$17 billion aid package was allocated.

In order to promote a world empire, and as an important step in that direction, the Marshall plan called for rapid economic deregulation and looked forward to an increasingly united Europe in the political, economical and military areas at least. The Organization of European Economic Cooperation (OEEC) was created. In 1961, it was transformed into the Organization for Economic Cooperation and Development (OECD), with the U.S. and Canada included as full members. The European Economic Market (EEC), also known as the Common Market, was established in 1957, creating one large free-trade zone. The original six members were France, West Germany, Italy, Belgium, the

Netherlands and Luxembourg, but more countries were added in the following years. The core of the Western military defense for Europe was the North Atlantic Treaty Organization (NATO), which depended heavily on the United States.

John J. Mc Cloy was a man of many worlds. One of the founders of CFR, commissioner of Germany after the war, chairman of Chase Bank, former lawyer to Standard Oil, he brought Henry Kissinger from Harvard University in the late 1950s to develop policy options for CFR. Kissinger, a German-born Jew, was sent back to Germany after World War II, and he served in the American occupation administration of Germany even when he was a young man, in his twenties. The option the CFR decided upon was for bankers and multinational corporations to consider the entire globe as their domain not the confines of the United States alone. The Wall Street-dominated media and the new emerging TV power was employed to spread this vision.

As a result of this vision, between 1957 and 1965, the U.S. annual net capital export to Western Europe went up from an annual \$25 billion to almost twice as much. This money and its profit remained in Europe and became known as the Eurodollar. To finance Vietnam, the United States simply printed more dollars by selling more U.S. Treasury bonds to finance the deficit. The deficit kept increasing, going from \$3 billion annually at the beginning of the 1960 to \$9 billion in 1967 and \$25 billion in

1969! The United States, with its gold reserves depleting, asked European central banks to keep the dollars in Europe and not to redeem them in gold but collect interest on them instead. A few years later, the U.S. cancelled the Bretton Woods agreement and with it the redemption of dollars into gold, thus ripping off those who kept U.S. dollars of their wealth, as their dollars became worth only a fraction of what it was when \$35 traded for an ounce of gold.

Young American President Kennedy met de Gaulle in May 1961. They were each impressed with the other, and Kennedy, in a “Report to the American People” on June 6, 1961, described de Gaulle as a “wise counselor” for the future and “an informative guide to the history that he had helped to make”. The Anglo-Saxon Shadow Establishment was unhappy and expressed its displeasure at such a confidence. Among the advice de Gaulle gave Kennedy was the French Vietnam experience. Kennedy’s advisors concurred and Kennedy started seriously considering disengagement from Vietnam. Also, Kennedy was not pleased with the money departing the United States and residing in Europe with its profits, and he started the process to enact a tax on these funds so they would return home. In a message to Congress, dated July 18, 1963, he proposed imposing a 15 percent “interest equalization tax” on money abroad, so that export of manufactured products, not dollars, is encouraged. He did not live to see it through. One more

event for the conspiracy theorists to think about! Kennedy apparently had a perception of the America he wanted that was different from that of being the Anglo-Saxon transnational barons. On November 22, 1963, Kennedy was assassinated in Dallas, Texas. The last poll by Time and CNN, conducted 25 years after his assassination, revealed that 70 percent of the Americans believed a conspiracy was behind the assassination and did not accept the official, lone assassin theory provided by the Warren commission and the U.S. government.

President Lyndon Johnson, the career politician who always believed that it was better to have a skunk with you inside the tent pissing out than having it outside pissing in, maintained the status quo for the Eurodollars, and he escalated the Vietnam War.

In 1959, the U.S. gold reserves approximated its external dollar liabilities, estimated at \$20 billion. By 1967, external liabilities went up to \$36 billion, while gold reserves plummeted down to \$12 billion – a third of the liabilities. The Eurodollars ballooned to \$1.3 trillion in the early 1970s, and it had no gold cover and was offshore. It was solely under the control of the transnational financial and corporate barons. It was unregulated and it dictated the age of deregulation that followed.

In May 1971, the first U.S. post-World War II trade deficit was posted. Gold reserves were less than a quarter of U.S. official

liabilities and the United States announced, on August 15, 1971, the suspension of the dollar convertibility into gold, putting the world on dollar standard with no gold backing. That was the end of the Bretton Wood system. In order to prepare for the new petrodollar floating non-system, Jack Bennett was loaned to the Nixon Treasury department in 1971, and Paul Volcker came from Wall Street. Lord Victor Rothschild, the head of strategic research at Royal Dutch Shell, was brought to lead the British Prime Ministry's "Central Policy Review Staff". He influenced the British Prime Ministry's energy policies and maintained liaison with Henry A. Kissinger during the critical oil-shock years.

In order to make the North Sea and Alaska oil reserves feasible to produce, oil prices were engineered to quadruple by staging the Yom Kippur War. This decision was taken in May 1973, six months before that October 6, 1973 war which led to the oil price increase. Most of the decades of the 1970s and 1980s were consumed to create a new global financial economy based on fiat money and to enforce deregulation through Reaganomics at one side of the Atlantic, and Thatcherism at the other.

On August 23, 1990, three weeks after the Iraqi invasion of Kuwait, Brent Scowcroft, President George Herbert-Walker Bush's national security advisor, used the term "New World Order" for the

first time. He told reporters: “We believe we are creating the beginning of a New World Order out of the collapse of the U.S.-Soviet antagonisms.”<sup>5</sup> The president addressed the U.S. Congress a few weeks later, on September 11, 1990:

A new partnership of nations has begun .... The crisis in the Persian Gulf, as grave as it is, also offers a rare opportunity ... Out of these troubled times, ... a new world order - can emerge...<sup>6</sup>

The chief Sovietologist working under Scowcroft was Condoleezza Rice. She knew the Soviet Union inside out and she saw it disintegrate. She drew the plan of action and how to deal with it to ensure that all the pieces of the Soviet Union would fall where the United States wanted them, so a capitalist order would emerge that could be linked with the new American global vision. Scowcroft noted in his book *A World Transformed* that “Condi” Rice headed a national security team and suggested that the United States might have leverage over Moscow because of its need for Western economic resources and know-how. In a supporting memo at the time, Rice reminded that the Soviet Union was in turmoil and was looking to the outside world for ideas and resources to build its failing system. The United States wanted Russia to have

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<sup>5</sup> George H.W. Bush, *Washington Post*, May, 1991

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[http://www.milestonedocuments.com/document\\_detail.php?id=87&more=fulltext](http://www.milestonedocuments.com/document_detail.php?id=87&more=fulltext)

the right idea. Based on Rice's recommendations within the National Security Council, the Bush administration decided that the USSR/Russia should not get any aid from the United States until Russia accepted to comply fully with the International Monetary Fund's (IMF) conditions, also called the Washington consensus conditionalities of the well known shock therapy no different than Bangladesh's or Nigeria's. This shock therapy took the Russian economy from the status of a superpower in "recession" to that of a third world country whose economy shrank to less than the GNP of a small developed country such as Holland after a decade of "reforms"! What mattered was that Russia now was linked to the Western financial community and mafia capitalism prevailed. The NSC's Soviet and European team, which included Rice, drew the conditions for the German adoption of the Maastricht Treaty, and the adoption of a single European currency, the euro. Simultaneously with the announcement of the New World Order after the collapse of communism, it became fashionable to call this new order as globalization since the Americans, as much as the rest of the world, are not comfortable with the word empire and whatever connotation it may carry with it.

A similar proclamation of a New World Order, ironically, had been issued fifty years before Bush Sr. announced his new order in Congress. Adolph Hitler used the same language and said: "I am

convinced that 1941 will be a crucial year of a great new order in Europe. The world shall open up for every one. ... this year will help to provide the foundations of a real understanding among people and with it the certainty of conciliation among nations.”<sup>7</sup>

### *Globalization*

During the Clinton years, the global imperial agenda was primarily to press for one form of capitalism: the Anglo-Saxon version, which is the Anglo-American brand. The Treasury Department of the United States of America started to call the shots using the IMF and the World Bank as its instruments for change. The Washington-consensus began to demand that Russia adopt the Anglo-Saxon capitalist model. Europe was requested to drop its welfare programs and its special brand of capitalism. Japan’s different brand of capitalism, which was accepted during the Cold War, was no longer accepted by the New World Order. Japan had to change, especially since the Japanese model posed the threat of having its economy copied, especially by China, an unthinkable disaster to Washington’s economic order.

### *“The Global Transaction Strategy”*

According to at least two influential U.S. military strategists, the occupation of Iraq “was not about settling old scores or simply

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<sup>7</sup> Adolph Hitler, *My New Order*, Speech January 30, 1941 Reynal & Hitchcock, 1941, .867.

enforcing U.N.-mandated disarmament ... Instead, the Bush administration's first application of its controversial preemption strategy marked a historical tipping point – the moment when Washington took real ownership of strategic security in the age of globalization.”<sup>8</sup> So wrote Thomas P. M. Barnett, former senior strategic researcher and professor at the U.S. Naval War College, and Henry H. Gaffney, a team leader with the Center for Strategic Studies at the independent research body the CNA Corporation, in “The Global Transaction Strategy,” a May 2003 article in *Military Officer* magazine. The U.S., they write, “should expect to put in the lion’s share of the security effort to support globalization’s advance because we enjoy its benefits disproportionately ...”<sup>9</sup>

Although the U.S. has only 5 percent of the world population, it consumes about a quarter of the world’s energy and produces a quarter of the world’s pollution and waste. As Barnett and Gaffney say, the U.S. tends “to import our energy and ‘export’ our pollution. Simply put, we live way beyond our environmental means.” They continue:

As our consistently huge trade deficit indicates, we also tend to live well beyond our economic means. Basically, we count on the rest of the world to finance our sovereign debt, which

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<sup>8</sup> <http://www.thomaspmbarnett.com/published/gts.htm>

<sup>9</sup> Ibid.

most countries – like Japan – are willing to do... There is not a whole lot we should complain about in this deal – basically trading pieces of paper for actual goods. Put these two transactions together and it is easy to see why the United States has benefited from the rise of a global economy.<sup>10</sup>

So, since the U.S. finds globalization and its global economy working in its favor, and as the U.S. accounts for about half the global public spending on armament, bases, naval presence, and wars, the authors indicate that American strategy for the twenty-first century is to “import consumption and export security” – that is, export wars.

Barnett and Gaffney divide the world into countries seeking to align themselves to the rules of globalization as set by the Pentagon and Wall Street – the “Functioning Core” – and those that do not accept the rules of globalization due to political or cultural rigidity – the “Non-integrating Gap.” The Muslim world falls into the latter category. China, India, and Southeast Asia they call the “New Core” as these countries are connecting to globalization. The U.S., EU, and Japan are the “Old Core.”

The two authors argue that as global administrator, the U.S. must ensure the following four “flows” simultaneously. The

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<sup>10</sup> Ibid.

disruption of any one of them will damage the others and disrupt globalization.

### *The Security Flow*

According to Gaffney and Barnett, for the first half of the twenty-first century the primary areas of U.S. military and security interventions will be in Central and Southwest Asia – to all intents and purposes, the Muslim world. They write that the U.S. must “export security” to these countries, by which they mean bases, an increased naval presence, crisis-response activity, and military training. In the globalization equation of the U.S., defined as “exporting security and importing consumption,” the product to be imported to the U.S. is oil; the product to be exported is war. Furthermore, the authors say that since the conflict between the Muslim countries and the U.S. is a long one, “The U.S. might well establish permanent military bases in Iraq” – as the authors say, some U.S. military bases in Japan and Germany were established sixty years ago and are still there.

How long will U.S. troops remain in Iraq and other “Gap” countries? The implied answer is, forever. “And here’s where I get to my final point about this Administration – and every one that

follows - getting level with the American public: we are never leaving the Gap and we are never 'bringing our boys home!'"<sup>11</sup>

Many American neoconservatives are happy with Ariel Sharon's proposed policy of a "Berlin Wall"-type division between Israel and Palestine, even though the wall was declared illegal by the International Court of Justice and the UN. Many in this elite group also seem unconcerned by Israel's prejudicial killings (targeted assassinations), and feel the world and the U.S., as Barnett and Gaffney state, "simply would have to wait out a couple of generations of Palestinian anger as that society ultimately is bought off through substantial Core economic aid and the Palestinians reduce their family size as they achieve some economic viability."

As communism has died out as a real force, the authors rule out "great power wars." But for the foreseeable future they see as necessary the export of "security" – and wars – "into the Islamic regions of Southwest and Central Asia as [America's] most serious international security task. We are witnessing the beginning of a long-term integration effort there, one that will ultimately rival our Cold War effort in Europe in its strategic centrality."

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<sup>11</sup> [Thomas P. M. Barnett](#), *The Pentagon's New Map: War and Peace in the Twenty-First Century*, Berkley Books, 2005, 178.

## *The Oil Flow*

As American business will mainly be the export of security rather than consumer products, America's demand for oil will increase slowly in the coming decades, while China and India, which are now manufacturing the "consumption" imported by the U.S., will double their oil consumption. In its role as globalization administrator and police force to the world, the U.S. must control the flow of Middle Eastern oil to its friends and enemies. When the dangers of industrializing Japan was debated after World War II, George Kennan, architect of the Cold War containment policy, argued that Japan could industrialize as it wished, as long as the valves that can shut the oil to its industries remained in American hands. Likewise, China and India – the two fastest developing economies in the world – can industrialize as they wish as long as America controls the flow of oil to them, and as long as Americans guard their access to the valves through the many military bases and naval posts now found in the Muslim oil-producing countries.

China now exports many products to the U.S. It is paid in dollars, and will accumulate billions in annual trade surpluses. As long as these billions return to the U.S. in one form or another (such as U.S. Treasury bills), China is considered "connected" to the Core. If China ever contemplates calling these dollars home, or

stops financing the U.S. debt through the purchase of Treasury bills, China will become a “disconnecter”. As Barnett and Gaffney say, “There is not a whole lot we should complain about this deal – basically trading pieces of paper for actual goods”<sup>12</sup>. This system of trading pieces of paper for oil has been going on in the Middle East ever since oil was first discovered there. The oil dollars are sent to the U.S. in the form of investments in U.S. Treasury bills, or in reselling to the oil-producing states the outdated stocks of arms. Even such deals restrict the use of these arms. Fighter jets are fitted with fuel tanks that restrict the range and use of these arms.

As oil and petroleum product use in China and India grows, the demand center for it will shift within the next twenty years from North America to Asia. According to the U.S. Department of Energy, by 2020 Asia will buy about two-thirds of Middle East oil from the Gulf, and this will account for about 80 percent of Asia’s oil imports. Any disruption to the flow of oil from the Middle East will damage the economic and political processes of globalization; and as a self-appointed globalization administrator, the U.S. will go to any lengths to ensure it continues to exploit the world’s human and material resources to its disproportionate advantage. It will not stop at the occupation of Iraq. As we have seen, the war in Afghanistan was launched to secure Caspian Sea oil and its pipeline routes through Afghanistan and various former Soviet republics to

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<sup>12</sup> <http://www.thomaspmbarnett.com/published/gts.htm>

ports on the Mediterranean – and after 9/11, a number of bases were established in those countries.

### *Investment Flows*

For globalization to work, the flow of foreign direct investment from the U.S. and European financiers must be secured. The swelling economies of the Asian New Core will require some \$2 trillion by 2020. Therefore, Asia will depend on American and European financiers for its economic development, and oil under direct control by the U.S. military from the Middle East. These two factors give sufficient leverage to ensure that surplus dollars earned by the New Core countries' economies continue to be recycled to the U.S. to finance its sovereign debts and deficits.

### *The Flow of People*

The flow of workers from the Gap to the Old Core – the economies of the U.S., Europe, and Japan – will need to become a torrent. Current UN projections indicate that by 2050, the worker-to-retiree ratio in the Core will fall dramatically unless young people from the Gap are imported. Japan will require more than half a million immigrant workers a year to maintain its existing workforce, and the EU will have to increase its current immigration flow by about 500 percent. While the worker-to-retiree ratio will

decline from 5:1 to 2:1 in the advanced economies, it will be at 10:1 in most Muslim countries. Without a flow from the Gap to the Core, overpopulation in the underperforming Gap countries will lead to explosive situations, while the under-population of workers in the Core economies will lead to economic decline. But, say Barnett and Gaffney, the flow of workers must be regulated. They suggest that, as in the case of guest workers in the Arab Gulf states, temporary workers should not to be granted citizenship rights or permanent residency.

The authors conclude that while U.S. policy during the Cold War was one of containment, in the new era of American globalization, it is not sufficient to contain the Muslim world; it must shrink. Kissinger thought that the U.S. response to 9/11 would be similar to the way it reacted to Pearl Harbor, and said he hoped the U.S. response “will end the way that the attack on Pearl Harbor ended – with the destruction of the system that is responsible for it”<sup>13</sup>. If it was publicly alleged that Islam or radical Islam was the system behind 9/11, as many of his associates indicated, then Kissinger was advocating war against Islam in no uncertain terms. The war of civilizations was thus declared, with Islam as the first target.

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<sup>13</sup> Henry Kissinger, "Destroy the Network," *Washington Post*, 11 September 2001

Barnett and Gaffney create a convincing future scenario, saying, “If a country is either losing out to globalization or rejecting much of the content flows associated with its advance, there is a far greater chance that the United States will end up sending forces at some point.”<sup>14</sup>

Aside from its strategic geographic, geopolitical and geological importance (oil), another reason for the invasion of Iraq was its refusal to ‘connect’ to globalization as it maintained a state-controlled economy that was instantly dismantled as one of the first acts after the occupation! It was replaced, just like in Russia, by mafia capitalism.

### *A New Global Map?*

In 2004, Barnett published the bestseller *Pentagon’s New Map: War and Peace in the Twenty-First Century*. Barnett’s division of the world into Gap and Core countries is reflected in this book, and the Gap countries on this map include, as we have seen, most of the Muslim world in addition to a few South American countries with majority Catholic populations whose ethics differ from the pro-Israel evangelism that prevails among the American power elite.

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<sup>14</sup> <http://www.thomaspmbarnett.com/published/gts.htm>

Barnett defines how he would divide these two types of state: “ In the Era of globalization, we draw the line between those parts of the world that are actively integrating their national economies into a global economy ... and those that are failing to integrate themselves into that larger economic community and all the rule sets it generates ...”<sup>15</sup> This is astonishingly close to Lord Palmerston’s nineteenth-century dictum trade without rule where possible; trade with rule where necessary. What this implies is that other countries must buy American capitalism and its trade (as well as the World Trade Organization), its ethics, and its Wall Street rules, lock, stock, and barrel. If not, that country is an outlaw or terrorist and deserves a taste of U.S. pre-emptive policy and its cruise missiles. But who sets these rules?

It sounds again like the stuff of conspiracy theory, but could it be the Pentagon and Wall Street? Going by Barnett’s book, this seems to be the case. A series of meetings involving members of the Pentagon and Wall Street representatives were held in 2001 at the Wall Street broker-dealer firm Cantor Fitzgerald’s offices on the 107th floor of World Trade Center One. In *Pentagon’s New Map* Barnett writes:

The research project I was conducting with Cantor’s help involved exploring how globalization was altering America’s

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<sup>15</sup> [Thomas P. M. Barnett](#), *The Pentagon's New Map: War and Peace in the Twenty-First Century*, Berkley Books, 2005, 25,26

definitions of national security – in effect, altering one calculus on risk management. The workshops we conducted jointly brought together Wall Street heavyweights, senior national security officials and leading experts from academia and think tanks. ... Our joint venture was called the New Rule Sets Project.<sup>16</sup> (

This kind of extraordinary alliance between Wall Street and the Pentagon means that when Wall Street speaks, the world will be forced to listen.

Initially, the global financiers and their elite's advocates of globalization were able to neutralize public opinion by evading, stating, and naming, things for what they are. Opposition to globalization was initially voiced by those who read between the lines or were directly or adversely affected by its effects. But finally warning signals were sounded by the beneficiaries and advocates of globalization. Such alarm bells were sounded no less by the Council on Foreign Relations in its quarterly magazine. The July/August 2007 issue featured an article written by Kenneth F. Scheve, a professor of Economics at Yale University, and Matthew J. Slaughter a professor of economics at Dartmouth, and Adjunct Senior Fellow for Business and Globalization at the CFR, who

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<sup>16</sup> Ibid., 46

served on the White House Council of Economic Advisors from 2005-2007 with Bush neoconservatives. Here is some of what they wrote:

- Over the last several years, a striking new feature of the U.S. economy has emerged: real income growth has been extremely skewed, with relatively few high earners doing well while incomes for most workers have stagnated or, in many cases, fallen... Even college graduates and workers with nonprofessional master's degrees saw their mean real money earnings decline. By some measures, inequality in the United States is greater today than at any time since the 1920s.
- Of workers in seven educational categories – high school dropout, high school graduate, some college, college graduate, nonprofessional master's, Ph.D., and M.B.A./ J.D./ M.D. – only those in the last two categories, with doctorates or professional graduate degrees, experienced any growth in mean real money earnings between 2000 and 2005.
- Workers in these two categories comprised only 3.4 percent of the labor force in 2005, meaning that more than 96 percent of U.S. workers are in educational groups for which average money earnings have fallen.

- U.S. policy is becoming more protectionist because the American public is becoming more protectionist, and this shift in attitudes is a result of stagnant or falling incomes. Public support for engagement with the world economy is strongly linked to labor-market performance, and for most workers labor-market performance has been poor.
- At first glance, this rise in protectionism may seem puzzling. The economic gains from globalization are immense. In the United States, according to estimates from the Peter G. Peterson Institute for International Economics and others, trade and investment liberalization over the past decades has added between \$ 500 billion and \$ 1 trillion in annual income.... A Doha agreement on global free trade in goods and services would generate, according to similar studies, \$ 500 billion a year in additional income in the United States.
- But within many countries, and certainly within the United States, the benefits of this integration have been unevenly distributed – and this fact is increasingly being recognized. Individuals are asking themselves, ‘Is globalization good for me?’ A growing number of people are arriving at the conclusion that it is not.

(A New Deal for Globalization – *Wages falling, protectionism rising. Foreign Affairs, July/ August 2007 issue*)

Globalization to the rest of the developing world brought sweat shops and wars. In Indonesia, all the workers of the factories making Nike shoes make per year less than what Michael Jordan was paid to advertize them! National elites, a one percent class that cooperates with the globalization process are rewarded for their subservience. After consuming as much as desires demand, they deposit the rest in multinational bank, and they exchange them with bank notes, or treasury bills or paper money. Realizing that most of their money is illegitimate, they rarely invest in their local economies.

For the 1.5 billion Muslims, or quarter of the world population, the story of globalization is even much more complex. It is costing them their oil, money and blood.

## *CHAPTER 12*

### *GLOBALIZATION THROUGH MUSLIM EYES*

“If most Western people were asked today which of the three monotheistic religions was the most violent, they would probably unhesitatingly reply ‘Islam’. For hundreds of years, Western Christians have described Islam as ‘the religion of the sword’ but this is inaccurate, one of the prejudices we have inherited from the period of the crusades. It is just one example of the distorted picture that many people in the West have of Islam, about which we are generally rather ignorant.”

Karen Armstrong, *Holy War*, Anchor Books, New York, 2001 edition

#### *A War of Terror*

In another chapter, we quoted two American strategists from the establishment who wrote that the United States appointed itself as a unilateral ‘global administrator’, to ensure the flow of the four flows necessary for globalization to function: the flow of security, the flow of oil, the flow of investment and the flow of people. It was argued that for globalization to function the four flows must function simultaneously; the interruption of any of them will

disrupt globalization. According to Gaffney and Barnett, for the first half of the twenty-first century the primary areas of U.S. military and security interventions will be in Central and Southwest Asia – to all intents and purposes, the Muslim world. They write that the U.S. must “export security” to these countries, by which they mean bases, an increased naval presence, crisis-response activity, and military training. In the globalization equation of the U.S., defined by the two authors as that of a global administrator, the U.S. must ensure the following four “flows” simultaneously. The disruption of any one of them will damage the others and disrupt globalization. Those establishment strategists wrote that after communism the United States must export security and import consumption.

As communism has died out as a real force, the authors rule out “great power wars.” But for the foreseeable future they see as necessary the export of “security” – and wars “into the Islamic regions of Southwest and Central Asia that remains our most serious international security task. We are witnessing the beginning of a long-term integration effort there, one that will ultimately rival our Cold War effort in Europe in its strategic centrality”.<sup>17</sup>

September eleven or not, the architects of the global order determined before September eleven that a clash of civilization with Islam and Muslims is inevitable, that a long war that rivals the cold

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<sup>17</sup> <http://www.thomaspmbarnett.com/published/gts.htm>

war is a given and that Muslims must change their culture, which to them means changing their religion, to engage with globalization. Otherwise they become the outlaws of globalization and the new world order.

If, for globalization to work, Western set of values and ethics must prevail, then this unilateral decision is neither democratic nor acceptable to Muslims. If so, the process of American globalism and civilizations conflicts are embedded in this new world order, not because 'the other', the Muslims, opted for such conflict, but because the core state of the West, the United States, was the one responsible for this systemic flaw. Many people around the world, mainly one and a half billion Muslims, will take exception to this prerequisite and they believe that these materialistic values gave the West material abundance through slavery, imperialism and wars. It was these same values that were responsible for the young American nation waging and participating in more than two hundred wars in its short history, meaning it was practically in a state of perpetual wars. Also, American society is not envied in the world as they see that with all that abundance, about 40 million citizens are officially classified as poor. They see wealth disparity and they note that Americans are amongst the least happy people on earth. They are willing to leave the West and America and its civilization and values alone, but the West is not willing to leave them alone. The Bush

Doctrine made it clear that if “you are with us or against us”. It was the West that knew that its agenda would lead to a conflict of civilizations, and it started its campaign to manufacture consent for the clash of civilizations, especially with Muslims much earlier than September eleven. Several years before September eleven, Islam was targeted as an enemy. Samuel Huntington wrote:

The underlying problem for the West is not Islamic fundamentalism. It is Islam, a different civilization whose people are convinced of the superiority of their culture and are obsessed with the inferiority of their power. The problem for Islam is not the CIA or the U.S Department of Defense. It is the West, a different civilization whose people are convinced of the universality of their culture and believe that their superior, if declining, power imposes on them the obligation to extend that culture throughout the world.<sup>18</sup>

The problem as Huntington wrote in his book in the 1990s, which was reconfirmed by the Bush Doctrine, was America’s conviction, of the superiority and *universality* of their values, but worse yet, trying to impose these values through preemption and unilateralism. As we illustrated earlier, globalization’s Rule Sets were created from the gospel of Wall Street, not from the Gospel of God.

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<sup>18</sup> Samuel P. Huntington, *The Clash of Civilizations: Remaking of World Order*, Simon and Schuster, 1996, 217-218

In a leading profile article in Washington-based weekly EIR, of February 15, 2002, it was revealed that: “FPRI has also come to house some of the leading right-wing Zionist networks in the U.S. foreign policy apparatus,... Months after Huntington’s ‘Clash of Civilizations’ article appeared in the Summer 1993 issue of *Foreign Affairs*, the Middle East Forum (MEF), which was created as a section of FPRI in 1990, launched the *Middle East Quarterly*, a journal devoted to promoting the idea of Islam as an enemy image...”<sup>19</sup> The EIR profile continued: “FPRI and MEF are responsible for providing ‘scholarly’ research, testimony, and comment to the U.S. Congress, Federal agencies, think tanks, and various national and international media, all with the same theme; Islam is the enemy, and America must bear the responsibility to confront and take military action against any and all so-called Middle Eastern and African ‘terrorist regimes’ that are at war with the West.”<sup>20</sup> The MEF journal’s *Middle East Quarterly*, editor is Martin Kramer, from Tel Aviv University, and its senior editor is Patrick Clawson, director of research of the Zionist Lobby (AIPAC) WINEP, established by super-Zionist Martin Indik. Steven Emerson, from FPRI, wrote the book *Mohammed’s Army: The Rise of Islamic Fundamentalism*. He also produced the TV film “*Jihad*

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<sup>19</sup> <http://www.larouchepub.com/eiw/public/2002/eirv29/eirv29n06.pdf>

<sup>20</sup> Ibid.

*in America*”, aired on Public TV Broadcasting System, which was the more visible commencement of the crusade against Islam.

The secretary general of NATO declared in 1995 that political Islam was “at least as dangerous as communism”<sup>21</sup> had been to the West. One of the very senior members of the Clinton administration, according to Huntington, pointed to Islam as the global rival of the West. “During the fifteen years between 1980 and 1995, according to U.S. Defense Department, the United States engaged in seventeen military operations in the Middle East, all of them directed against Muslims. No comparable pattern of U.S. military operations occurred against the people of any other civilization,”<sup>22</sup> wrote Samuel Huntington. He concludes that, to the West, the problem is not Islamic fundamentalism. It is Islam, a different way of life of whose superiority Muslims are convinced.

Huntington wronged President Clinton with his argument that the West did not have problems with Islam but only with violent Islamic extremists. “Conflict was, on one hand, a product of difference, particularly the Muslim concept of Islam as a way of life transcending and uniting religion and politics.”<sup>23</sup> As far as Huntington is concerned, the civilization clash between Islam and the West is inevitable. “So long as Islam remains Islam (which it

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<sup>21</sup> Samuel P. Huntington, *The Clash of Civilizations and Remaking of World Order*, Simon & Schuster, 1996. 215

<sup>22</sup> *Ibid.*, 217

<sup>23</sup> *Ibid.*, 212.

will),” wrote Huntington, “and the West remains West (which is more dubious), this fundamental conflict between two great civilizations and ways of life will continue to define their relations in the future even as it has defined them for the past fourteen centuries.”<sup>24</sup> Huntington added: “Muslims fear and resent Western power and the threat which this poses to their society and beliefs. They see Western culture as materialistic, corrupt, decadent, and immoral. They also see it as seductive, and hence stress all the more the need to resist its impact on their way of life. Increasingly, Muslims attack the West not for adhering to an imperfect religion, which is nonetheless a ‘religion of the book’ but for not adhering to any religion at all.”<sup>25</sup>

According to Huntington, the clash between the West and Islam is a given. And “Whatever their political or religious opinions, Muslims agree that basic differences exist between their culture and Western culture. The bottom line, as Sheik Ghanoushi put it, is that our societies are based on values other than those of the West”<sup>26</sup>

Huntington acknowledges that most of the Muslim governments “lacked any basis for justifying their rule in terms of

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<sup>24</sup> Ibid., 212.

<sup>25</sup> Ibid., 213.

<sup>26</sup> Ibid., 214.

Islamic, democratic, or nationalist values”, but what worries him and the West are their studies which show that in the case of these regimes’ collapse, in “almost every country, in the mid-1990s, the most likely successor regime was an Islamist one”.<sup>27</sup>

Even though Muslim resurgence is manifesting itself in the social and cultural aspects of Muslim societies, and just started to express itself politically, it was the single most important development in Muslim countries since the 1970s. Political Islamization, as Huntington likes to call Islamic resurgence on occasion, is the product of the modernization processes and the “born again” Muslims come from “mobile and modern-oriented younger people”, the core element of which comes from among students and intellectuals. “One study of the militant leaders of Egyptian Islamist groups found they had five major characteristics, which appear to be typical of Islamists in other countries. They were young, overwhelmingly in their twenties and thirties. Eighty percent were university students or university graduates. Over half came from elite colleges or from the intellectually most demanding fields of technical specialization such as medicine and engineering. Over 70 percent were from lower middle-class... and were the first generation in their family to get higher education. They spent their childhoods in small towns or rural areas but had become residents

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<sup>27</sup> Ibid., 114

of large cities.”<sup>28</sup> Muslim fundamentalists, says Huntington, “probably include a disproportionately large number of the best educated and most intelligent young people in their respective populations”<sup>29</sup>. The IMF-sponsored capitalist model always leads to the uprooting of farmers and the agricultural sector laborers which had to move en masse to the cities to work on the “export or die” economic model, so that they would not die. These “newly uprooted masses” are attracted to Islam that gives them a “dignified identity”. The paradox here is that the global capitalist model forced on peoples all over the world is feeding these uprooted masses with cause and reason to acquire a dignified identity that the capitalist order finds threatening to its very existence.

The governments of most Muslim countries “were overwhelmingly non-democratic”. What Huntington does not mention is that these governments were mostly installed by the West after the de-colonization process or were aided to power through the visible and invisible assistance of the West, and that most of them can only survive through such assistance. When one such system was threatened through democratic elections in Algeria, the secular government intervened. Likewise, the army in

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<sup>28</sup> Ibid., 113

<sup>29</sup> Ibid.

“democratic Turkey” intervened to force the Islamist Prime Minister Arbakan out of office. Armstrong explained:

In June 1990, the ISF (Islamic Salvation Front) scored major victories in the local elections, especially in the urban areas. ISF activists were mostly young, idealistic and well educated; they were known to be honest and efficient in government.... But the ISF was not anti-Western. (ISF) leaders spoke of encouraging links with the European Union and looked for fresh Western investment. The secular government of Algeria that staged the election and promised democracy was removed from office by the military that staged a coup, cancelled elections, suppressed reform, threw the ISF leadership and its elected members into prison. Had elections been prevented in such a violent and unconstitutional manner in Iran and Pakistan, there would have been an outcry in the West.... But because it was an Islamic government that had been thwarted by the coup, there was jubilation in the Western press.<sup>30</sup>

It is true that capitalist values are indeed different from true Muslim values. Such difference can become obvious if one reads Karen Armstrong’s writings on the subject. Armstrong, a nun who became a researcher on religions, wrote four books about Islam. She explained how Islam is different from other religions because it is

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<sup>30</sup> [Karen Armstrong](#), *Islam: A Short History*, Toronto, Random House of Canada, 2002, 182.

both a religion and a way of life. In her book “*Islam*”, she wrote: “In the modern West, we have made a point of separating religion from politics.”<sup>31</sup> But in “Islam, Muslims have looked for God in history. Their sacred scripture, the Quran, gave them a historical mission. Their chief duty was to create a just community in which all members even the most weak and vulnerable were treated with absolute respect. The experience of building such a society and living in it would give them intimations of the divine, because they would be living in accordance with God’s will. A Muslim had to redeem history, and that meant that state affairs were not a distraction from spirituality but the stuff of religion itself.”<sup>32</sup> She added: “If state institutions did not measure up to the Quranic ideal, if their political leaders were cruel or exploitative, or if their community was humiliated by apparently irreligious enemies, a Muslim could feel that his or her faith in life’s ultimate purpose and value was in jeopardy. ... politics was, therefore, what Christians would call a sacrament: it was the arena in which Muslims experienced God and which enabled the divine to function effectively in the world.”<sup>33</sup> This obviously is strikingly different from capitalistic processes of anything goes if you are willing to pay the price, or what Keynes said that we must pretend that fair is foul

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<sup>31</sup> Ibid., x.

<sup>32</sup> Ibid., xi.

<sup>33</sup> Ibid.

and foul is fair. It is different from the practice of growth before justice.

Armstrong's research indicated that the perceived notions about Muslims and Islam are, in most instances, inaccurate and are, more often, based on historical prejudice. Islam was the rival and, to some, the threat to the West for 1,400 years, while communism posed a threat for seventy years and faded away. Some of the other points she made: Islam retained a negative image in the West, which had a long history of hostility against it even though it is the third religion of Abraham. "But the old hatred of Islam continues to flourish on both sides of the Atlantic and people have few scruples about attacking this religion, even if they know little about it."<sup>34</sup> Armstrong believes that the reason is understandable, because "until the rise of the Soviet Union in our own century, no polity or ideology posed such a continuous challenge to the West as Islam"<sup>35</sup> When Islam was established in the 7<sup>th</sup> century, Europe was in darkness. Islam quickly overran much of the Christian world of the Middle East and North Africa and within less than one century established itself from southern France to China. The crusading project of the 12<sup>th</sup> and 13<sup>th</sup> century ended in failure, and Muslims recovered the occupied territories through a resurgence of Islam. In

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<sup>34</sup> [Karen Armstrong](#), *Muhammad: A Biography of the Prophet*, HarperSanFrancisco, 1993

<sup>35</sup> *Ibid.*

the centuries that followed, the Muslim Ottoman Turks occupied parts of Eastern Europe.

What worries the West also is the demography of the various civilizations. Muslims made up 12.4 percent of the world population in 1900, but continued to increase: 15.3 percent in 1970, 16.5 percent in 1980, 17.1 percent in 1985, 19.2 percent in 2000, and are estimated to reach 30 percent by 2025, whereas the Western Christian population is declining: 26.9 percent in 1900, 30.6 percent in 1970, 30.0 percent in 1980, 29.7 percent in 1985, 29.3 percent in 2000. It is estimated to decline to 25 percent by 2025. By 2025, according to these estimates, Muslims will overtake Western Christians in world population.

Beginning with the 1970s, Islamic resurgence swept through almost all Muslim countries, from Morocco on the Atlantic, to the Western borders of China, and from Nigeria in Africa, to Kazakhstan in Central Asia. Muslims decided to find the “solution” not in the failed Western ideologies but in Islam. They accepted modernity but without Western culture or values. They wanted “to modernize but not necessarily to Westernize”. Islamic resurgence “is mainstream not extremist, pervasive not isolated”<sup>36</sup>, wrote Huntington. He thought the Islamic resurgence bears resemblance

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<sup>36</sup> [Samuel P. Huntington](#), *The Clash of Civilizations and the Remaking of World Order*, Simon & Schuster, 1997,110

to the Protestant Reformation. The central spirit of both is fundamental reform. Islamic resurgence thinks of itself as a comprehensive awakening: political, economic, cultural and intellectual.

“Muslims in massive numbers were simultaneously turning towards Islam as a source of identity, meaning, stability, legitimacy, development, power, and hope, hope epitomized in the slogan ‘Islam is the solution’.”<sup>37</sup> The central element of Islamization was the development of Islamic social organizations. Bush’s crusade against Islam, setting aside non-credible allegations, is targeting these organizations and institutions by requesting the drying of funds and charities to them by a dictate from Washington, no questions asked or allowed. This is probably because Washington, like Huntington, believed that these institutions form the cornerstone of the Islamic political institutions of the future. “Islamic organizations”, Huntington wrote, “created an Islamic civil society which equaled, if not surpassed the official institution of the Islamic countries.”<sup>38</sup> In Egypt, Islamic organizations by the early 1990s had developed an extensive network of organizations, which “... provided health, welfare, educational and other services to a large number of Egypt’s poor”.<sup>39</sup> In the 1992 earthquake in Cairo, they were “on the streets within hours, handing out food,

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<sup>37</sup> Ibid., 109

<sup>38</sup> Ibid., 111

<sup>39</sup> Ibid., 112

and blankets”<sup>40</sup>. Washington, as a proxy for Wall Street and capitalism’s invisible power structure, is drying funds to all Muslim religious institutions, not because they are actually involved in any terrorist activities, but because these institutions are considered an infrastructure of Islam’s revival which Washington conveniently termed “terrorism” for easy sell. These Wall Streeters and their Washington cronies are not religious in any way and are only faithful to their religion of materialism, usury, greed and exploitation.

Huntington wrote that the Muslim Brotherhood operated, in the early 1990s, in the small country of Jordan (5 million population), an infrastructure consisting of “a large hospital, twenty clinics, forty Islamic schools, and 120 Koranic study centers. Next door, in the West Bank and Gaza, Islamic organizations established and operated, ‘student unions, youth organizations, and religious, social, and educational associations’, including schools ranging from kindergartens to an Islamic university, clinics, orphanages, a retirement home, and a system of Islamic judges and arbitrations.” Huntington noted that by the early 1980s, the largest Muslim organization in Indonesia had six million members which,

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<sup>40</sup> Ibid.

according to him, constituted a “religious welfare state within the secular state”<sup>41</sup>, which provided services from cradle to grave.

Islamic resurgence is occurring, which is a broad intellectual, cultural, social and political movement prevalent throughout the Islamic world. This resurgence, John L. Esposito noted, covers increased attention to religious observances, such as mosque attendance, prayer and fasting, as well as more emphasis on Islamic dress and values, an increase in Islamic organizations, banks, social welfare services and educational institutions. “Both governments and opposition movements have turned to Islam to enhance their authority and muster popular support ...”<sup>42</sup>

Muslims note that the global system that America is trying to impose on them is producing poverty, misery and unhappiness. They see armies of homeless in the streets of big cities that are more like the slumps of Cairo or Delhi. A General Social Survey (GSS) study reported in *Business Week* (October 16, 2000) concluded that money was not buying happiness and the new life style and its aftershocks are causing the rise of unhappiness. According to that study, although there was a per capita increase in income between 1970 and 1998, Americans, to the contrary, grew less happy. The new social tendencies overshadowed any material gains. The study found that although extra income brings extra happiness, such an

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<sup>41</sup> Ibid.

<sup>42</sup> Ibid., 110.

impact was surprisingly poor. It also found that other factors, such as gender and material status, weigh more heavily. Another find was that women are unhappier than men. The increase in divorce and separation between spouses is having a negative impact on the family structure and the psychology of its members. Business Week concluded: “At the very least, it suggests that those who think income gains alone guarantee greater happiness are deluding themselves. And it implies that some apparent aspects of the New Economy such as more bouts of unemployment and greater income inequality carry significant psychological costs.” Is this the modernity and Rule Sets advocated by Wall Street, the Pentagon and American elites that America is trying to force on the world?

### *The Five Gs Covering the West's Relations with Muslims*

In a lecture at Kennedy School of Government of Harvard University on March 18, 2008, I defined America's and Western relationship with Muslims to be governed by five factors that start with the letter G:

- God: Religious conflicts.
- Geography: The Muslim world at the crossroads of three continents.
- Geopolitics: Control of Eurasia was a key for any empire
- Geology: Oil in particular

- Globalization. The flow of oil and the flow of investment are two main flows mandatory for globalization to function. Both factors are seriously controlled by whoever controls the Muslim oil states that owns about 70 percent of the world oil reserves at a time oil is drying in many other countries.

### *The G of Globalization to Muslims*

After 10 years of writing a book about globalization, I now coin my own definition: “Globalization is the process by which the American Empire transforms nation states into Banana Republics to serve the Empire, using U.S. dominated international institutions(IMF, WTO, WB & UN) where possible, and military force when the Empire unilaterally judges it is needed.”

Palmerstone’s 19<sup>th</sup> century dictum was “Trade without rule if possible, trade with rule if necessary”. My reading of the Bush Doctrine is: “Trade without war if possible, trade with wars if not possible.”

Ironically, as I will argue, globalization, as the term is used today, is a natural evolution of Western capitalism whose economy, because it is growth-based and fueled by technological innovations, was transformed from local to regional to national and then to global. The United States Republic started with 13 states, but it

continued to expand looking for markets and resources by hook and crook. Such expansion was realized by purchases such as the Louisiana Purchase and the Alaska Purchase, and by wars to expand southward and Westward against Mexico. In the process, genocide was committed against the natives. By the end of the 19th century, the United States stretched from the Atlantic to the Pacific, and with an ever accelerating industrial revolution and a deep depression in hand, the United States had to seek markets and resources overseas. President McKinley waged a war against Spain stretching from nearby Cuba to as far away as the Philippines. Encyclopedia Britannica called this war as the period of American Colonialism. George W. Bush was not the first president to start a *war on false pretexts*. McKinley's American Spanish war was waged on the claim that the Spanish destroyed the American destroyer *USS Maine* in the Havana Harbor, a claim that investigations later could not substantiate. In actuality the Industrial robber barons needed a war badly. Acceleration of the industrial revolution, overproduction, unemployment, depression and social unrest were the real causes for the American Spanish wars of 1898. The whole world became fair game to corporate America and global financiers, aided always by an informal empire then, which gradually was transformed to become a formal American empire in what is now called globalization.

America's economic supremacy, which accounted for 50 percent of the world's industrial output after World War II, has been eroded. U.S. survival now depends on the inflow of \$3 billion a day of foreign currency to finance its deficits and its wars. The 2005 balance of payments deficit approached a record \$800 billion. To compensate for this deficiency in economic might, the American Empire is increasingly resorting to military muscle. According to Thomas P. M. Barnett, former senior strategic researcher and professor at the U.S. Naval War College in an article he co-authored in May 2003. The U.S. "should expect to put in the lion's share of the security effort to support globalization's advance because we enjoy its benefits disproportionately...As our consistently huge trade deficit indicates, we also tend to live beyond our economic means. Basically, we count on the rest of the world to finance our sovereign debt...there is not a whole lot we should complain about this deal -basically trading pieces of paper for actual goods."<sup>43</sup>

For globalization to work, the world must operate on universal values. The problem is that these values are derived from the Gospel of Wall Street not from the Gospel of God, and the American empire is now imposing them on the world. In Barnett's new 2004 book titled, *The Pentagon's New Map*, he wrote:

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<sup>43</sup> <http://www.thomaspmbarnett.com/published/gts.htm>

The workshops we conducted jointly brought together Wall Street heavyweights, senior national security officials and leading experts from academia and think tanks...our joint venture was called the New Rule Sets Project.<sup>44</sup>

These meetings were held at Wall Street. Muslims are mandated by Islam to accept and respect the Gospels of Judaism and Christianity, but not the Gospel of Wall Street. America is not conducting its crusades for Muslims to embrace Christianity, but to force on them the “New Rule Sets” so they can trade their oil for paper, and so that they continue to finance America’s sovereign debt! It is a bonus of course if Muslims stop being Muslims, or at least change Islam in the areas where Islam and the Gospel of Wall Street do not see eye to eye. Many Muslims admired and still admire the American people. They don't necessarily admire the "lunatic Codes" of their unbridled capitalism. They know that American Anglo-Saxon Capitalism is second to none when it comes to wealth creation and accumulation, but they also know it is second to none when it comes to wealth disparity and social injustice. Nobody can be half as good as their market capitalism when it comes to packaging evil for good and good for evil.

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<sup>44</sup> [Thomas P. M. Barnett](#), *The Pentagon's New Map*, Berkley Books, 2005, 46

## *Oil and Resource Wars: The G of Geology*

A study conducted at the Massachusetts Institute of Technology in the early 1970s, which was published as “The Limits to Growth”, predicted that the growth-based economic model, combined with capitalism’s present consumption patterns and world population growth, is on a collision course with nature, which will take place in the middle of the twenty-first century. Many scientists and consultants, including myself, believe we are at a point where maximum oil production is about to be reached soon, and the decline of the Oil Age has already begun. America’s occupation of Iraq was a war for resources, oil at the top of the list. In May 2001, Bush stated, “What people need to hear loud and clear is that we’re running out of energy in America.”<sup>45</sup> Addressing business people in New York on March 14<sup>th</sup> 2008, he commented on the \$111 / barrel oil, that America had a bad energy policy and supply today cannot meet demand.

American former central banker Alan Greenspan wrote in his 2007 book titled, *The Age of Turbulence*: “I am saddened that it is politically inconvenient to acknowledge what everyone knows: the Iraq war is largely about oil”<sup>46</sup>. Everyone knows, but may be not the American people. Thanks to the corporate media.

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<sup>45</sup> <http://reason.com/archives/2004/07/21/energy-independence-the-ever-r>

<sup>46</sup> [Alan Greenspan](#), *The Age of Turbulence: Adventures in a New World*, Penguin Group, 2007, 463

Once maximum oil production capacity has been reached, a serious imbalance between supply and demand will occur, unless timely energy substitutes are in place, which we believe will not be the case now. How serious such a situation this may become is best expressed by a study conducted for the U.S. Department of Energy in February 2005, because it makes no bones about the impending energy crisis for the U.S.

The peaking of world oil production presents the U.S. and the world with an unprecedented risk management problem. As peaking is approached, liquid fuel prices and price volatility will increase dramatically, and, without timely mitigation, the economic, social, and political costs will be unprecedented. Viable mitigation options exist on both the supply and demand sides, but to have substantial impact, they must be initiated more than a decade in advance of peaking. Dealing with world oil production peaking will be extremely complex, involve literally trillions of dollars and require many years of intense effort.... Mitigation will require a minimum of a decade of intense, expensive effort ... Intervention by governments will be required, because the economic and social implications of oil peaking would otherwise be chaotic.<sup>47</sup>

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<sup>47</sup> <http://www.energybulletin.net/node/4638>

The first historical record of oil in Iraq was some 5000 years ago, and the last drop of oil will come from Iraq and the Arabian Peninsula. Seventy percent of the world's oil reserves are under their Muslim lands and the percentage will continue to shift in their favor. Any wonder why the war for resources or the so called War on Terror is on Muslim lands. The reserves of Iraq from the existing eighteen fields alone are estimated at more than the total reserves of the United States, UK and all West Europe, India and China combined. But Iraq has an additional sixty-two undeveloped fields which will move Iraq to equal or exceed Saudi Arabian reserves. Iraq oil is also among the cheapest in the world to produce. So here we are: an empire, the most powerful country in history, running out of oil, professing unilateralism and preemption at its own will, preying the resources of a weak third world country. With bases in Iraq, the U.S. will control most of the oil reserves of the world, as well as project its imperial hegemony on who gets how much oil and at what conditions, as the gap between supply and demand narrows till it disappears fairly soon.

U.S. Energy Secretary Bill Richardson summed it up very well in 1999 when he said: "Oil has literally made foreign and security policy for decades."<sup>48</sup> Any wonder why the U.S. permanent establishment comprising the financial community and the

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[http://apps1.eere.energy.gov/state\\_energy\\_program/update/feature\\_detail.cfm?id=8](http://apps1.eere.energy.gov/state_energy_program/update/feature_detail.cfm?id=8)

Military Industrial Complex brought into power “a war president”, an oil man, the son of an oil man, Mr. Bush, assisted by a former CEO of a Texas based huge oil Services Company, a Mr. Cheney, and a Lady secretary of State/National Security Advisor whose name was christened on an oil supertanker and who sat on the boards of financial and multinational oil companies? A first class oil war team indeed!

*War Mongering: Who Benefits From Wars?*

A year after the invasion of Iraq, according to the Financial Times, Halliburton’s revenues had increased by 80 percent and Bechtel’s by 158 percent; between the first quarters of 2003 and 2004 Chevron Texaco’s profits went up by 90 percent, and arms manufacturer Lockheed Martin stocks increased by 300 percent between 2000 (the year George W. Bush was first elected) and 2004. We can then proclaim American moneyed interests and the American Military industrial complex as the winners- the one percent class that owns more than 80 percent of Americans. But who are the losers? They are the rest of Americans and peoples of the world. While these corporations were prospering, servicemen and their families were sinking deeper in debt. The front-page headline of USA Today read: “Pentagon sees risk in troops’ loan debt: Payday lenders prey on military.”

The newspaper wrote:

As many as one in five of the armed services are being preyed on by loan centers set up near military bases that can charge cash-strapped military families interest of up to 400% or more, a new Pentagon report has found.<sup>49</sup>

This boom, which benefited just a handful of corporations, was paid for by the blood of mostly poor Americans who form the majority of soldiers, and innocent Iraqis, Afghans, Palestinians, Lebanese and others, and was financed by unprecedented deficits. Highly decorated Marine, Major General Smedley Butler wrote:

War is a racket. It always has been. It is possibly the oldest, easily the most profitable, surely the most vicious. It is the only one in which the profits are reckoned in dollars and the losses in lives.<sup>50</sup>

Unfortunately the Western capitalist order which some are promoting as a universal order can hardly survive without wars. Defending the Kennedy administration's Bay of Pigs invasion, Secretary of State *Dean Rusk* told congress that the United States made 102 wars and interventions outside the United States in the 19<sup>th</sup> century alone. Former Harvard history professor William Polk emailed me his testimony to congress in 2007 on Iraq, which was

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<sup>49</sup> [http://www.usatoday.com/news/nation/2006-08-30-military-loans\\_x.htm](http://www.usatoday.com/news/nation/2006-08-30-military-loans_x.htm)

<sup>50</sup> [Smedley D. Butler](#), *War is a Racket: The Antiwar Classic by America's Most Decorated General*, Feral House, 2003, 23

after General Petraeus' testimony last summer, in which former Harvard history professor Polk stated that the United States had been to war over 200 times in its short history.

*Terror Mongering (War on Terror): Another Racket?*

To begin with let me state categorically that targeting innocent civilians under any name, be it Jihad, Crusade, prejudicial assassination or collateral damage is to be strongly condemned whether it is waged by individuals, groups or states. Yet, this is not what Israel's leaders said and practiced in the past and today. Itzhak Shamir, who became an Israeli Prime Minister and who was the former head of a terrorist organization that assassinated in 1948 UN mediator Count Bernadotte opined that: "neither Jewish ethics nor Jewish tradition can disqualify terrorism as a means of combat"<sup>51</sup>.

An Israeli prime minister, Levi Eshkol, frequently referred to Menachem Begin as the "terrorist", as Begin headed the Irgun Terrorist group that among other things, blasted the King David Hotel. Begin was on Britain's "Most Wanted" terrorist list.

A former CIA Director called the War on Terror, World War Four, assuming that the Cold War was the Third World War. Some

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<sup>51</sup> Encyclopedia Wikipedia, [http://en.wikiquote.org/wiki/Yitzhak\\_Shamir](http://en.wikiquote.org/wiki/Yitzhak_Shamir)

Muslims call this war the latest crusade, borrowing the phrase from George W. Bush. George Bush and Osama Bin Laden share two points: they both are super-rich, and they both claim that they are ordained by God to conduct their crusades! America claimed it is now waging a War on terror and those who oppose the war call it a war of terror.

Even though the world community, most Muslims included, denounced the September 11 attacks, the world requested the Bush Administration to define what terrorism is so they could join the war, as without a definition they would be fighting an undefined ghost. The Bush Administration did not accept to give any such definition to a generational war it demands the world to join. But the Bush Administration apparently was not alone. Edward Peck, former Chief of Mission in Iraq and deputy director of the White House Task Force on Terrorism in the Reagan administration, said in an interview with Amy Goodman:

In 1985, when I was the Deputy Director of the Reagan White House Task Force on Terrorism, they asked us ... to come up with a definition of terrorism that could be used throughout the government. We produced about six, and each and every case, they were rejected, because careful

reading would indicate that our own country had been involved in some of those activities.<sup>52</sup>

Can we assume that this is why the Bush Administration refrained from defining terrorism? This is how a former National Security advisor, Zbigniew Brzezinski, sees it in a Washington Post article titled: How a Three-Word Mantra (War on Terror) Has Undermined America:

... the vagueness of the phrase was deliberately (or instinctively) calculated by its sponsors....: It stimulated the emergence of a culture of fear. Fear obscures reason, intensifies emotions and makes it easier for demagogic politicians to mobilize the public on behalf of the policies they want to pursue.... Such fear-mongering, reinforced by security entrepreneurs, the mass media and the entertainment industry, generates its own momentum.<sup>53</sup>

Are the Palestinians resisting Israeli occupation terrorists, or is it Israel that is exercising state terrorism against mostly unarmed occupied civilian population? Was Yasser Arafat a terrorist, then

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[http://www.democracynow.org/2006/7/28/national\\_exclusive\\_hezbollah\\_leader\\_hassan\\_nasrallah](http://www.democracynow.org/2006/7/28/national_exclusive_hezbollah_leader_hassan_nasrallah)

<sup>53</sup> Zbigniew Brzezinski, "Terrorized by 'War on Terror'", *Washington Post*, March 25, 2007, <http://www.washingtonpost.com/wp-dyn/content/article/2007/03/23/AR2007032301613.html>

why was he given a Nobel Peace prize? Was Israel's former Prime Minister Menachem Begin, a terrorist and if so why was he given a Nobel Peace Prize later? Terrorists to some are freedom fighters to others, and terrorists of yesterday are Nobel Prize winners today. And who is to decide?

The fact is, the real causes of the so called War on Terror, as Muslims see it, is a mix of the five Gs, but mostly War for Resources in a globalized world. But is someone lying to us, wrapping an unjust and unholy war in the flag for easy sell? The Associated Press reported on the 24<sup>th</sup> of January, 2008 that two non-profit journalism organizations (the Center for Public Integrity and the Fund for Independence in Journalism) found that President Bush and top administration officials issued 925 false statements about the national security threat from Iraq in the two years following the 2001 terrorist attacks. The study concluded that the statements: "were part of an orchestrated campaign that effectively galvanized public opinion and, in the process, led the nation to war under decidedly false pretenses".<sup>54</sup>

Are we allowed to call these orchestrated lies a conspiracy? Are we allowed to call the collusion of corporate media a conspiracy against the right of Americans to know? Will those who orchestrated the lies be accountable for the death and misery of millions of Iraqis, the death of 4,000 American soldiers, and the

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<sup>54</sup> <http://www.msnbc.msn.com/id/22794451/>

wounding of and incapacitating of more than 100,000 Americans? Or can the media give sufficient coverage to such deliberate lying to take the country to war at least as much as the coverage given to the sexual peccadilloes of a former president with a consented adult partner?

*Israel: A Watch Dog Outsourced by Empires: The G of Geopolitics:*

As a young student in elementary schools in Jerusalem, our history teacher taught us about the Balfour Declaration, the document in which Lord Balfour, the British Secretary, wrote to another British and global financier, Lord Rothschild, promising to create a Jewish homeland in someone else's country which happened to be mine. To my young, inquisitive mind I wondered about the relationship between financiers and politicians, and how he who does not own a thing can give it.

Later, I was told that Palestine was given to the Jews by God, not Mr. Balfour, and I wondered if God was in the real estate business. If he was, that would have been the first sub-prime deal ever transacted, some 2000 years and look what such deals are doing now to your country. Here again God was invoked to bless an imperial act. Then, I was told that the evil done to Palestinians by giving their country to another people was a result of the evil of the

Christian Europeans which was inflicted on the European Jews, a strange logic indeed. The prominent Zionist founding father David Ben Gurion, who also was Israel's first prime minister knew better. He said, as was quoted in the Mearsheimer-Walt study on the Israeli lobby of March 2006:

If I were a (Palestinian) Arab leader I would never make terms with Israel. That is natural: We have taken their country....We come from Israel. But two thousand years ago, and what is that to them? There has been anti-Semitism, the Nazis, Hitler, Auschwitz, but was that their fault? They only see one thing: we have come here and stolen their country. Why should they accept that?<sup>55</sup>

The majority of Arabs and Palestinians are not impressed by the sophistry justifying the occupation of their lands even if it is presented as pseudo-scholarship. They are also not impressed by the hallucinations of end - timers who are supporting the Jews of Israel today to convert them or murder them at the end of times. What they see is a nation state that was created over their dead bodies and lands, with unparalleled financial backing from the United States (approaching 160 billion of U.S. tax payers money), and unlimited military and political cover including vetoing the

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<sup>55</sup> Nahum Goldmann ,*The Jewish Paradox: A personal Memoir*, (translated by Steve Cox), Grosset & Dunlap, 1978, 99

World community resolutions forty-two times since 1972, protecting Israel's occupation and human rights excesses.

Israel, now I believe, is an imperial geopolitical legacy, not a biblical prophecy, a creation of empires to further imperial designs. It is meant to act as wedge between the Arab Asian and African states, as well as a strong military garrison whose citizens are outsourced to wage proxy wars and act as policemen on behalf of the empire.

Palestinian Arabs, who comprised 65 percent of the Palestinian population when Israel was created in 1948, were systematically ethnically cleansed and millions of them are refugees today. The Palestinian Arabs that escaped expulsion are treated as third class citizens. Between 1948 and 1963, 531 Arab villages were completely destroyed. Transfer, the Israeli word for ethnic cleansing is official policy among Israeli leadership; they only differ on the way to do it. Palestinian lands are being confiscated and new settlements are littering the occupied lands. Palestinians are dehumanized in action and in words. Here is some of what Israeli leaders said about Palestinians:

Menachem Begin once said that 'Palestinians are beasts walking on legs'. While former IDF Chief of Staff Rafael

Eitan referred to them as ‘drugged roaches in a bottle’ and also said that ‘a good Arab is a dead Arab’. Another former Chief of Staff, Moshe Ya’alon referred to the Palestinian threat as cancer on which he was performing chemotherapy.<sup>56</sup>

### *How More Racist Can One Get?*

Since Palestinians are Semitic people, can’t we call this verbal, racial, genocidal, ethnic cleansing and human rights abuses against Palestinians as an advanced form of anti-Semitism? And how can a country that raises the banner of human rights support such practices? Duplicity, hypocrisy or what? It is not only me who is amazed how the persecuted became persecutors.

Criticizing Israel’s occupation of Palestine territories and the idea of Israel’s rule over the Palestinian, Britain’s Chief Rabbi Dr. Jonathan Sacks said:

You cannot ignore a command that is repeated 36 times in the Mosaic books: “You were exiled in order to know what it feels like to be an exile.”

He added:

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<sup>56</sup> [John J. Mearsheimer, Stephen M. Walt](#), *The Israel Lobby and U.S. Foreign Policy*, Farrar, Straus and Giroux, 2007, 89.

And therefore I regard the current situation as nothing less than tragic, because it is forcing Israel into postures that are incompatible in the long run with our deepest ideals.<sup>57</sup>

George Soros in his book *The Crisis of Global Capitalism* argued that:

Capitalism and democracy obey different principles....The interests that are supposed to be served are different: In capitalism it is private interests, in democracy it is the public interest. In the United States, this tension is symbolized by the proverbial conflicts between Wall Street and Main Street.<sup>58</sup>

This should explain to Mr. Chertoff why private interests (Wall Street) frustrate the pursuit of the common good (Main Street).

Can the pursuit of the common good be ever achieved if seventy senators sign on a blank check or an empty napkin within twenty-four hours? As reported in the book *The Israel Lobby*, co-authored by a JFK School of Government Professor, Steven Rosen, a former AIPAC official illustrated AIPAC's power to the New

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<sup>57</sup> <http://www.guardian.co.uk/news/2002/aug/27/wrap.chrisalden>

<sup>58</sup> [George Soros](#), *The Crisis of Global Capitalism: Open Society Endangered*, PublicAffairs, 1998, 111.

Yorker's Jeffrey Goldberg: "by putting a napkin in front of Goldberg and saying, 'In twenty-four hours, we could have the signatures of seventy senators on this napkin'"<sup>59</sup>.Based on the track record of politicians in Washington, you better believe Mr. Rosen.

Some of those sign-on-a-napkin senators openly advocated ethnic cleansing against the Palestinians. House majority leader Richard Armev told Hardball's Chris Matthews in May 2002 that he was "content to have Israel grab the entire West Bank," and that he "happened to believe that the Palestinians should leave". Palestinians also happen to believe that Armev and his likes can go to hell before they would think of leaving their country.

Muslims and Arabs generally now believe that America's one-dollar-one-vote democracy was designed to cater for the interests of one percent of Americans who own most of America. Thus, I argue, unlike Mr. Chertoff, that Washington is working very well, doing what it was designed to do by the very private interests it serves. American Democracy was reduced into mechanical processes that maintained form but not substance, as William Greider wrote in his book, *Who Will Tell the People*:

The blunt message of this book is that American democracy is in deeper trouble than most people think.....At the highest

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<sup>59</sup> [John J. Mearsheimer](#), [Stephen M. Walt](#), *The Israel Lobby and U.S. Foreign Policy*, Farrar, Straus and Giroux, 2007,10

level of government, the power to decide things has gravitated from the many to the few.<sup>60</sup>

Probably, Indian writer Roy Arundhati's New York Speech in 2003 after America's occupation of Iraq speaks for what much of the Muslim world thinks of American democracy. She said:

Here we are, confronted with an Empire that has conferred upon itself the right to go to war at will .... and "Democracy" is its sly new war cry. Democracy, home-delivered to your doorstep by (cruise missiles). Death is a small price for people to pay for the privilege of sampling this new product: Instant-Mix Imperial Democracy (bring to a boil, add oil, then bomb)

<sup>61</sup> .

### *The New American Century Project: Mission Impossible*

In a 1941, a Life magazine editorial titled 'The American Century' written by Henry Luce, founder of TIME, who came from the same secretive Yale University's Skull and Bones society that George Bush the father and son came from as well, announced the goal of American world domination. He wrote:

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<sup>60</sup> [William Greider](#), Who Will Tell the People: The Betrayal of American Democracy  
Simon & Schuster, 1993, 11.

<sup>61</sup> <http://www.commondreams.org/views03/0518-01.htm>

We must accept whole-heartedly our duty and our opportunity as the most powerful and vital nation in the world and in consequence to exert upon the world the full impact of our influence, for such purposes as we see fit and by such means as we see fit.<sup>62</sup>

When Bush announced his new Doctrine he almost used the same words of Luce. *The New American Century Project* is a late edition of Luce's project. It is ironic that such day dreaming and an impossible imperial mission is becoming official U.S. policy.

The United States is loosing its imperial prerequisites fast: On March 14, 2008 and as the dollar dropped to 1.56 against the Euro, the U.S. lost its place as the world's biggest economy to the Euro zone's 15 countries GDP. The dollar is heading to the loss of its status as the international reserve currency. America's project for Iraq's occupation failed to achieve its objectives. To the contrary, it almost bankrupted the United States, though Iraq is only 8 percent of the U.S. population and its economy is less than 3 percent of the size of U.S. economy. Perez's "New Middle East", design adopted stock, lock, and barrel by Bush neo-conservatism, has indeed produced a New Middle East that will not be to U.S. interests, as "the birth bangs" of Condoleeza Rice in Lebanon in 2006 clearly demonstrated. One of the world's leading historians, Eric

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<sup>62</sup> *LIFE* magazine, 17 February, 1941, 63

Hobsbawn, was reported in the *Harvard Crimson* (October 20, 2005) as saying here at Harvard:

The American empire may actually cause disorder, barbarism, and chaos rather than promote peace and order.

To Hobsbawn, this empire will almost certainly fail. He added:

Will the U.S. learn the lessons [of the British Empire] or will it try to maintain an eroding global position by relying on a failing political force and a military force which is insufficient for the present purposes which the current American government claims it is designed?<sup>63</sup>

Corporations, the micro-systems of the American empire, are facing sudden economic collapse as LTCM, Enron and others. A recent causality was Wall Street's financial house Bear Stearns which lost in less than one week 93 percent of its shares value (from 72 to 2 dollars/share!) in the 3<sup>rd</sup> week of March 2008. Empires nowadays come to their end by sudden death and economic heart attacks! The USSR is a recent example.

Muslims, Arabs, and much of the world would also like America to read the Bible to find out the best way to fight terror. Thousands of years ago Isaiah said that it is only if you sow justice that you will reap peace.

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<sup>63</sup> Lev Menand, "Leading Historian Says U.S. 'Empire' to Fail", *Harvard Crimson*, October 20, 2005, <http://www.thecrimson.com/article/2005/10/20/leading-historian-says-us-empire-to/>

## *Chapter 13*

### *THE WORLD THAT SAID NO TO INFOFINANCIALISM*

William Greider, the author of the New York Times bestselling book *Who Will Tell the People*, and a former assistant managing editor to *the Washington Post* wrote in his new book:

I have harsh things to say about our country. Beyond recession and financial crisis, we are in deeper trouble than many people suppose or the authorities want to acknowledge...<sup>1</sup>

I don't see a nice way to put it. America as 'number one' is over. The United States is headed for a fall, a great comeuppance that will impose wrenching changes on our society and deliver humiliating blows to our national pride.<sup>2</sup>

Thinking about these things led me to conclude that America is in much deeper trouble than is generally realized and that restoring national well being will require big change- a historic transformation in how we live and work as well as how we are governed.<sup>3</sup>

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<sup>1</sup> [William Greider](#), *Come Home, America: The Rise and Fall (and Redeeming Promise) of Our Country*, Rodale, 2009, 1.

<sup>2</sup> *Ibid.*, 5.

<sup>3</sup> *Ibid.*, 197

After the Mexican and Southeast Asian crisis in the middle and second half of the last decade of the twentieth century, I wrote my first book titled : *The Globalization Gospel: Can the World Say No to Infofinancialism?* I defined infofinancialism as the new finance economy (that emerged after the cancellation of the fixed exchange system of Bretton Woods in 1971) that was synergized with the new tools of the information age revolution, mainly computers and communications. This ‘new economy’ overtook the real productive economy. The subtitle of my book was coined after Shintaro Ishihara authored, *The Japan That Can Say No* in which he called Japan to reject American finance-dominated capitalism being advanced within the vehicle of globalization.. He later on co-authored with Malaysian prime minister, *The Asia That Can Say No*. The theme of *The Globalization Gospel* as indicated by its subtitle was to see “*The World That Can Say No*” to infofinancial globalization.

In that book published in 1998 I wrote:

The 20th century information-age revolution and the parallel revolutions it created are wild and may run out of control. If the (industrial) revolution of the 19th century took two depressions in that century, two world wars in the 20th century, and two depressions between the two wars as

aftershocks, what are the aftershocks of this revolution and how long will it continue? Is global capitalism really the model that is worth spreading around the world under different names and via different institutions? What is the alternative and what is the future of economic globalization?... Many serious people around the world began to seriously debate such questions. We don't need another hundred years of aftershocks and global disasters to realize the malfunctioning of the existing system... The existing global system is leading the world from one national disaster to another. New forces were unleashed by the global financial revolution and proper institutions and rules are now non-existent to regulate these new forces or control the global financiers that are riding them, thus possibly leading to their own self destruction.<sup>4</sup>

Indeed, several of those financial houses self-destructed not much more than few years after the book was written, such as Bear Stearns and Lehman Brothers. Others, such as Citigroup and Goldman Sachs, who actually went bankrupt, as their non-performing assets exceeded their capital many times over, were bailed out by taxpayer's money. It helps that Goldman Sachs had its former CEO as Treasury Secretary, as Mr. Henry Paulson doled out

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<sup>4</sup> [Abdulhay Y. Zalloum](#), *The Globalization Gospel: Can the World Say No to Infomercialism?*, Rex Bookstore, Inc., 1999, 15,16,21.

tens of billions of dollars of tax payer's money to his former employer.

Dr. Mahathir Mohammad was the first to say NO to infinancialism as he took action against the excesses of speculators. On September 1, 1998, contrary to the strictures of the International Monetary Fund and the U.S. Treasury department, he announced sweeping exchange controls including a fixed exchange rate and an end to external convertibility of the Malaysian currency. He vowed that his country would continue maintaining its tight foreign exchange controls even if it had to stand alone until the international community drew up regulations to protect productive national economies against speculations. Dr. Mahathir was severely attacked by the Western media but his country was the only Southeastern nation that escaped the devastation witnessed by those countries who surrendered to the International Monetary Fund's (IMF) conditionalities

The United States under the Clinton Administration assumed its newly acquired sole superpower status role in a new unipolar world, and was pressing hard to subdue all nations to embrace the globalization gospel of free trade that embedded American Wall Street capitalistic strictures, values and ethics , always in collusion with the International Monetary Fund (IMF) and the World Bank

(WB) who acted as the safety net for Wall Street bankers to secure their loans, and who, in liaison with the U.S. treasury department, formed what became known as the Washington Consensus. This trio pressured all nations small or large to embrace American (Anglo-Saxon) financial capitalism stock, lock and barrel or else! The long arms of the Pentagon were always there to oblige if nations chose the 'else'.

When Indonesian president Suharto wanted to follow the example of Malaysia, President Clinton called him and asked him to take the conditionalities of the IMF as if it comes from the hand of God.

In mid-January (1998) a delegation of senior officials, including Defense Secretary William Cohen, visited Jakarta. Their message to Indonesian president Suharto—reinforced by a blunt phone call from (president) Clinton—was simple: stability in Indonesia, a nation of 198 million people, was a critical U.S. priority, and that stability was dependent on Suharto's following the IMF's harsh prescriptions as if they had come from the hand of God.<sup>5</sup>

The propagandists of the transnational capital and the IMF claim it was corrupt Suharto and his government that were

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<sup>5</sup> *Newsweek*, February 2, 1998, 38

responsible for Indonesia's ills, but they find it convenient not to mention that Suharto was the creation of the Central Intelligence Agency which aided him to power over the corpses of at least 500,000 Indonesians. It takes two to tango and two parties to conclude a corrupt transaction. The Western, mostly American multinational corporations and financial institutions were the second corrupt party that advanced, promoted and oversaw the corruption. All contracts with those multinationals knowingly placed the currency risk on the government of Indonesia. Indonesia's debt service payments (in billions) as tabulated in Michael O. Billington's Economic Intelligence Review magazine published from Washington D.C., fully illustrates that currency manipulations caused Indonesia to pay its debt time and again, a true example of what Mayer Rothschild, the founder of the Rothschild dynasty meant when he said: "Permit me to issue and control the money of a nation, and I care not who makes its laws."

The following table (in \$ billions) illustrates what the consequences of devaluating the Indonesian currency were as a result of transnational financiers speculation and Washington Consensus strictures.



What the IMF was providing Indonesia is a fraction of what the international creditor nations and financial institutions looted from Indonesia. The IMF delivered in 2000 only \$2.6 billion, out of the 4.6 billion pledged, because of, as the World Bank described it, “reform and project failures”, meaning Indonesia’s failure to meet all IMF conditions. The loans were linked to “significant progress on policy performance”, meaning total submission to the Washington Consensus polices. Basically, Indonesia did not privatize fast enough to the IMF’s satisfaction. Transnational financial institutions kept hammering to acquire the banking system of Indonesia, which was to be among the first prizes of privatizations. The government accepted to cut subsidies on food and fuel, but wanted to do it slower. It accepted to sell certain state assets, but not at fire-sale prices. A majority share of Central Asia Bank was sold in March 2002 to U.S.-based speculator Farallon. The government was paid \$500 million for this deal, but it would end up paying \$700 million every year. The IMF admitted it made grave mistakes in the Indonesian 1997 crisis, but Indonesia alone was left to pay for the IMF’s mistakes.

Robert Cooper, advisor to the British Prime Minister, comparing the conditionalities of the IMF today, and imperialism of the Anglo-French of the nineteen century when they decided in 1875 to directly control the finances of Egypt to ensure the

repayment of debt, wrote: “How different is this from what Lord Cromer and others did in Egypt? ... Sounds remarkably like a rather strict IMF program.”<sup>6</sup>

Since the United States in 1971 unilaterally cancelled its dollar-gold fixed exchange obligations under the 1944 Bretton Woods Agreement, a new financial economy was unleashed. Some called it the no-system system. The new finance economy was approximately as big as the productive economy and was functioning basically to serve it. With deregulation under Reagan (and Thatcher), finance economy grew over one hundred times burdening the productive economy. New financial instruments were innovated and casino economics overshadowed the real economy. The *Globalization Gospel* called this economy ‘casino economics’, several years before some noble-prize economists decided to use this term. The dollar has no cover and the United States prints as much money as it desires by just turning its money pressing to convert five cent paper into hundred dollar bills. While governor at the New York Federal reserve, Ben S. Bernanke said that the government owned the presses to print as much money as it may desire at negligible cost, thus the government had no problem securing any amount of money it needed for spending and maintaining positive inflation. Thus we note that from 1950 to 1970 while the dollar was pegged to gold, the United States

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<sup>6</sup>“The New Empire”, *Prospect Magazine*, October 2001

increased its money supply by 55 percent. After the cancellation of the gold cover to the dollar, the American money supply increased from 1971 to 2000 by 2000 percent.

Though wealth disparity is embedded in capitalism, the new economy promoted this 'rich man poor man' society more than ever. In 2005, U.S. household savings went negative as people were spending more than they were earning. They managed the difference through debt. Thus, this new economy produced more billionaires and more borrowing. During the first seven years of George W. Bush's administration household debt increased by \$ 7 trillion. In 2007 alone household debt increased by \$ 1 trillion. People started to borrow from their life savings, the equity on their homes. At the start of the Reagan deregulation era, American home owners owned about 70 percent of the value of their homes, the remaining thirty percent was owned by the mortgage interests. By the end of the Bush administration the equity of home owners fell below fifty percent as they borrowed on their home equity to make ends meet. In 2005, U.S. household savings were negative for the first time since 1933 during the Great Depression. What remained from this equity for millions of Americans was wiped out in the 2007/2008 crisis and many of them became homeless living in tent camps.

In comparison, when *Forbes* magazine first published the list of the richest four hundred Americans in 1982, only thirty two were billionaires. In 2007 all four hundred on the list were billionaires and many other billionaires did not make it on the list! The moneyed interests of Wall Street had their day, as they made money in the lending and borrowing process and acted as a conduit to transfer the remaining wealth of the masses to the money class, to whom Washington officials are indebted for their positions and political careers.

Within the first year of the conservative economics of Reagan and his deregulation, the federal debt passed the one trillion dollar mark for the first time in U.S. history. It has since surpassed nine trillion dollars. All this borrowing at household and government levels caused the financial sector to expand astronomically, further separating finance economy from the real economy and stressing it proportionately until it got broken.

The information revolution of the twentieth century may have started silently in the late 1950s when white collar workers equaled blue collar workers for the first time in history, and when the space age of the telecommunication technical innovations were launched. Again, as in the last revolution of the 19th century, the existence of new technologies created new potentials for new management capabilities that made the unthinkable to become

possible. But as in all revolutions, it sometimes carries the revolutionaries to uncharted grounds.

In order to prevent recurrence of great depressions, elite planners in the United States decided during the Second World War that for the United States economy to operate without or with minimum stress, it needed more room and bigger area. They proposed a global economy vision to be implemented after World War II and created the needed financial institutions (World Bank-WB-, the International Monetary Fund –IMF, and what became known as the World Trade Organization-WTO). They also created a political institution (United Nations) for the management of this global vision. These bigger areas were needed as markets and sources of raw materials for the American economy.

Former colonialists and global financiers assumed that the new technological advances made global control easier and these new technologies of the information age accelerated the materialization of the globalization vision. The extraction of other people's wealth and natural resource could now be done via highly intelligent management methods and via proxy national governments. Prior to their departure, the old colonial powers trained and installed nationals in their previous colonies to manage their agendas. Such newly independent ruling class became

transnationalists whose interests were forged with the colonial transnationalists in a way that their agendas became one and the same. Those rulers operated transnational agendas proposed by the colonial super-transnationalists, the global financial classes, and they advanced these agendas over their national ones. Where possible, the super-transnationalists operated from behind the scene as their agendas were implemented by devoted national transnationalists. The new technological innovations allowed remote control, and it did not become necessary for the neocolonialists to directly administer the countries and in most cases it was a lot cheaper! As the national transnationalists owed their power and wealth to the neocolonialists, both sides knew who called the shots and who could dethrone the other. Information-age tools, including human and electronic intelligence, are all pooled to assist the owners of the neocolonial global power structures to keep hold of the power. This was summed up in *The Globalization Gospel*:

A one percent class (OPC) holds the power of money, the power of media, and the power of marketing politicians and legislators. This class “owns” the global power structure and sits at the top of the new infofinancial system. Through the

power of the three M's (Money, Media, Marketing) they dominate the world.<sup>7</sup>

As the Anglo-Saxon American brand of capitalism saw itself without competition after the downfall of communism, it wanted no other form of capitalism to compete with it or stand in its way to achieve its goals. The Japanese model of capitalism incorporated some of the Japanese culture of group predominance over individualism, and accepted full employment within its model. Its financial system operated differently and provided, where needed, cheap capital to assist full employment. Now, the Anglo-American model in its new infofinancial capitalism (which synergized the powers of information age and money) wanted none of that, and much of these “special Japanese values” were considered obstructionist to free trade. Even though the Japanese model created a more equitable society with practically no poverty compared to the Anglo-American infofinancial model, Japan's model was savagely attacked. The Korean economy was also attacked because it followed the Japanese model.

Wall Street and the global financiers had their day and they started assaulting and extracting the wealth of the newly developing “tigers” starting with Mexico and the Southeastern economies.

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<sup>7</sup> [Abdulhay Y. Zalloum](#), *The Globalization Gospel: Can the World Say No to Infofinancialism?*, Rex Bookstore, Inc., 1999, 19.

The power of infofinancialism is scary. If it decided to assault a country or a region, it could unleash incredible forces that equal the neutron bombs that were designed during the cold war. Such bombs can kill all the population of a city or a country but leave its other assets unharmed. After a war, the “winners” can have it all. Now “infofinancial bombs” can be targeted at a nation and can leave it devastated without a single shot being fired. Auto-piloted computers can withdraw within seconds billions of global speculators’ “hot money” leaving that country in ruins, depleting its reserves, toppling its national currency, causing defaults on payments and finally surrendering its economy to “IMF” bailouts. The prescriptions of such bailouts will lead to austerity programs, bankruptcies and multinationals picking up pieces of the economy at distressed prices. To enforce international and financial law and order, the IMF and the mighty U.S force are there to oblige.

As the interest rates in the United States were low and high in Mexico, this provided an opportunity for the arbitrage business of American Fund managers, allowing them to borrow in the U.S. and “investing” in Mexico where they could pocket the difference. What was important now was that Mexico was “reformed”, meaning they could exit with their money any time they chose to. Money started to flow to Mexico, and the American financiers and fund managers created the bubble. Stock prices increased four times within two to three years. Offshore investors held about 50

percent of the Mexican stock market and about 25 percent of government debt until a short while before they decided to leave Mexico and ruin its economy. The global financiers created the bubble and now they were bursting it. And the reason was not Mexico. Interest rates started to pick up in the United States, and opportunities elsewhere became more tempting. From all the investments they poured into Mexico, only 25 percent was invested in the productive economy, and 75 percent of the money went to financial markets and speculations. Even the 25 percent invested in the productive economy was mostly confined to multinational companies which were involved in intracompany trade isolated from the total Mexican economy.

When the interest rate was raised in the United States starting from the early 1994, Mexico had reasonable foreign reserves: \$25 billion. But the continuous exodus of the hot money of the financiers drained the foreign reserves, until by the end of 1994 little reserves were left and the Mexican national currency lost about 50 percent of its value in a matter of few weeks. An economic meltdown was at hand.

It was judged that about \$50 billion was needed to stop the free fall of the peso and restore economic order. Obviously the natural step was to sell them a U.S bailout package that had to go

through the Congress. Wall Streeter Robert Rubin, who came from Goldman, Sachs & Co. to his job as secretary of Treasury joined Greenspan and Summers to devise a plan and lobbied the plan with Congress. Wall Street was pushing hard, but Congress was in no hurry. Congressmen wanted to tie any aid with Mexican immigration. Besides, their voters were not sold on bailouts and committing taxpayer's money to such schemes. Richard A. Gephardt called Clinton and told him his \$40 billion plan in loan guarantees could be considered dead and had no chance of passing in Congress. An emergency plan was worked out, this time without congress. The details of the plan were worked out on the night of January 31, 1995 ,and the plan was ready by first light on February 1, 1995. On February 1, 1995, Clinton called the congressional leaders to the White House and told them that he was going to sign an executive order for the new bailout plan and he expected their support. Since this plan was prepared and promoted to assist Wall Streeters, congressional leaders knew better than to oppose such a plan. They pledged support and had to leave the White House from the back door to evade reporters! Those congressmen approved behind closed doors what they could not approve in the open halls of the congress. And Clinton used executive instead of legislative powers to bailout the American financiers, not Mexico. Clinton's justification for adopting the plan and signing the order was that

the “risks of inaction are greater than the risks of decisive action. This is the right thing to do”.<sup>8</sup> The bailout package was made of:

- \$20 billion - the Treasury’s Exchange Stabilization Fund was to be used. Four days earlier, Greenspan thought that Treasury had no right to use this fund which was meant to be used to defend the dollar. Now, he and everybody else thought otherwise;
- \$4.5 billion of short-term credit to be provided by the Federal Reserve;
- \$17.8 billion by the IMF;
- \$10.0 billion short-term credit from other industrial nations;
- \$1.0 billion from Canada; and
- \$1.0 billion from Latin America.

What were the conditions attached to this aid package:

- Mexico must surrender its policies regarding money supply, fiscal spending, future foreign borrowing and domestic

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<sup>8</sup> <http://govinfo.library.unt.edu/npr/library/speeches/22c2.html>

credit to the IMF-U.S. conditions written as part of the bailout plan.

- Mexico must sell its best assets such as ports, railroads, petrochemicals, telecommunications etc. to raise \$12 billion. Sales were to start immediately regardless of the fact that prices became depressed resulting from the crisis.
- Mexico must open its bank ownership to foreigners.
- Mexico must pledge to deposit all revenues from its oil at the Federal Reserve Bank of New York.

Mexican president Zedillo thought that these terms were extremely harsh, that he may be accused of surrendering Mexican sovereignty and that he was turning Mexico into “a colony of the United States”. He was told that these were the conditions, period. Mexico had to sign the bailout agreement. The after-effects of this agreement in 1995 were:

- The economy was contracted by 7 percent
- VAT was increased to 15 percent
- Real income was reduced by 33 percent. Inflation for the year was 40 percent and salary increases were capped at 7 percent

- Interest rates were up from 15percent to 130 percent in a few months
- About 30 percent of all loans in the country became non-performing
- Eight of the countries eighteen major banks failed and the rest had to be bailed out by the government.
- Some leading industrial groups went bankrupt. A total of more than 8000 companies failed.
- Fuel prices were increased by 48.5 percent.
- Electricity rates were increased by 32 percent.
- The country that was made up of small farmers and was an exporter of food stuff when farmers were subsidized, now became an importer of food dependent on its northern neighbor - the United States.
- And one farmer's family who died due to the stress of having his land possessed by a bank as he failed to pay his loan - brought his body to the bank in protest and said they could have his body as a payment!
- Crime rate increased substantially.

- Bancomer bank would have needed a parking lot for 75,000 cars for the non- performing car loans if they were repossessed.
- And 10 percent of Mexico's GDP was paid as interest on the loans.

The total productive economy suffered except for exports and a \$15 billion trade surplus with the United States was achieved, thus ensuring loan repayment to the very same people who caused the economic meltdown in the first place.

Lester C. Thurow, former MIT dean of the School of Management wrote in his book *The Future of Capitalism* wrote:

If Mexico had simply defaulted and refused to adopt the austerity package forced upon them by the IMF and the United States, it is clear that they would have suffered a reduction in their real income - they would have been unable to finance an import deficit and imports could have dropped, cutting real incomes. But that also happened under the IMF-U.S. conditions. However, they would not have been enforced to endure a harsh domestic recession on top of the necessary cut in imports. . In reality the \$52 billion loan package

protected the American mutual funds more than it did Mexico, but the Mexicans were left to repay it alone.<sup>9</sup>

### Going After Japan's Brand of Capitalism

As the post cold war era started, so did the fight of the Anglo-American brand of capitalism against the Japanese model. Now that communism was dead, the Japanese model of capitalism looked no more like capitalism to the American financiers. It was a competitor and a dangerous threat to the global capitalism that the "Washington-consensus" financiers were trying to spread throughout the world. Japan was not only the world's second largest economy, it was closed to them, as they saw it. Worst yet, the Japanese were spreading their model to other Asian countries such as Korea, Indonesia, Malaysia and Thailand. By adopting the Japanese brand of development, these countries showed spectacular development. They were described as tigers. Asia, represented about 50 percent of the world's growth. And with communism dead, America now had the chance to spread its free trade gospel that would allow it to achieve its global capitalism worldwide. Japan and its development model were in the way. Nothing was allowed to stand in America's financiers' way for world domination through capital markets and the mighty force of the United States of

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<sup>9</sup> [Lester C. Thurow](#), W. Morrow, *The Future of Capitalism: How Today's Economic Forces Shape Tomorrow's World*, Nicholas Brealey, 1996, 227,228.

America. Almost a century and a half earlier Americans landed in Japan preaching free trade and demanding Japan to open its markets.

The Japanese of 1853 must have seen those Americans on the black ship as big strange creatures with guns around their waists and cowboy boots. They both came from two different worlds. One was as old as history and had developed its unique culture. The other was a new country that was discovered accidentally. Those cowboys came from a land where might was right. There was not much of a culture, although a “cocktail culture” was being developed. These cowboys thought that the annihilation of the original American population was an act of God and a necessity, but that was 150 years ago. Now, at the end of the twentieth century these Americans are coming again. They now have a culture of their own, based on consumerism and desire. They no longer wear cowboy boots but they create fashion that is admired the world over. They don't carry guns, as they are armed with infofinancial nukes that can devastate any economy without the need to use conventional nukes. They are demanding this time not only free trade but they want Japan to change its culture, and its way of life. They want Japan not to be Japan.

The “peace & war” studies that were carried out before and during WWII by the Council on Foreign Relations with the policy planners of the State Department came up with the vision of the

global economy. This was initially expressed by a “Grand Area” in which, the studies concluded, not only Southeast Asia, but Japan itself must be part of this U.S.-dominated world. Even before the Japanese bombed Pearl Harbor and U.S. entry to WWII, the planners decided that in war and in peace the American economy needed “elbow room” beyond the United States. The E-B 34 memorandum defined the Grand Area as the needed “elbow room” which consisted of the Western Hemisphere, the United Kingdom, the remainder of the British Commonwealth and Empire, the Dutch East Indies, China and Japan itself.

The markets and raw materials of these areas were judged as needed for the post WWII order to be led by the American Empire. But Japan had its own grand area that Japanese policy makers judged as vital to Japanese national interests and the plan was called the “Greater East Asia Co-prosperity Sphere”. The Japanese felt that China, Indochina, Thailand, Burma, Malaysia, the Philippines, and some Pacific islands must function under Japanese control to ensure economic self-sufficiency. This is why the Japanese turned to these countries within the late 1980’s and the 1990’s to forge one economic area, after Washington exercised trade pressures on Japan. And this is also why the United States was watching Japan in that area too.

Americans realized, upon their occupation of Japan after the Second World War and dropping their atomic bombs on Japanese cities, that the re-industrialization of Japan was a necessity as long as it is done under U.S. control, especially after the communist take-over of China,. American State department policy planners and the National Security Council decided that Japan's industrialization did fit in with the Grand Area global economy vision. Besides, the policy planners specifically stated that Japan posed no threat as long as the oil supplies to Japan were directly controlled, one way or the other, by the United States. It was the United States that wrote the post-war Japanese constitution and oversaw the development of the new political and economic systems of Japan. Japan, without an army and without control of its oil resources was toothless, thought the American planners. Japan and Europe were later on included in the Trilateral commission, the elite that participated in forming consensus to world policies.

The problem with Japan was the fact that it was Japan. It had its own culture that was blended with capitalism to remove the rough edges of capitalism. This mixture of capitalism with the Japanese culture of the East or Asia, produced a modified version of capitalism. This capitalism had some differences with the crude Anglo-American capitalism:

- The Japanese culture values the society over the individual. Not so with the American capitalism that

centered its growth on consumerism and the exploitation of human desires. The development models of the two capitalisms diverged. One was consumer driven, the other was export driven.

- The Japanese believed in giving their working population job security and that was expressed by life-long employment. This gave Japanese workers the peace of mind that made them devoted to their companies. They are less anxious than their fellow Americans who can get fired at a moment's notice, just to make an already good balance sheet slightly better.
- The Japanese outlook on money and banks differs sharply from that of the Anglo-American and American outlook. To western financiers, the money of banks is market-oriented. It should flow to where the highest returns are possible. To them the business of money is to make more money, period. To the Japanese, banks are ) "social stabilizers". Banks can lend money cheaply to corporations and companies to allow them to maintain full employment in the down cycles. To the Japanese system, full employment is more important than higher productivity. Also to the Japanese, banks

are like other public utilities. They supply the nation with cheap money.

- The ownership as well as the function of banking in the Japanese system is different. The equity “cross-shareholding” between companies makes about 51 percent ownership of banks by their customers, who have no interest to increase money cost, as they will end up paying for such an increase.

After the collapse of the cold war order, both Washington and Tokyo started to view each other differently. A new class of “revisionist” economists took over the major positions within the Clinton Administration. They thought that Japan’s economic model was not only different; it was a threat to American global capitalism. Simultaneously, some Japanese voices came to the open wanting their country to say no to America. After years of dependence on the United States, they started to decry subservience to Washington. Shintaro Ishihara co-authored *The Japan That Can Say No*, in the late 1980’s followed by *The Asia That Can Say No* co-authored with the prime minister of Malaysia Mahathir Mohamad. The latter book urges Japan to cleave to Asia and the East and abandon its ties to the west. They consider such ties as unnatural. Japan is a nation of Asian people with Asian blood. Kazuo Ogura, while Ambassador to Hanoi, called on Japan and its neighbors to promote Asian values that included discipline,

diligence and the primacy of the group over the individual. He was later promoted to deputy minister at the foreign ministry in charge of the foreign economic department. The CEO of Fuji Xerox Co. Yotaro Kobayashi calls this “re-Asianization”. He coined a slogan “Leave the west, Enter Asia” contrary to the 1850 Japanese slogan that was “Leave Asia, enter the west”. The Malaysian prime minister called for an “Asia-only” trade block similar to the America-only NAFTA, to the dislike of Americans. The Japanese model was winning more converts by the day. British- and American-educated Najmul Saqib Khan was one of them. He was the Former Ambassador of Pakistan to Saudi Arabia and Japan and he authored *Japanese Experience and Nation-Building in Southwest Asia*. He endorses Japan’s “government-plus market” formula.

So, Japan turned to the East. After all, it was continuously bombarded by the Western media as obstructionist to world trade. It was accused of being a “fortress Japan” that was closed to other countries’ products, and it was requested to decrease its trade deficits with the United States. The more pressure that was applied on Japan, the more it turned to Asia. But the shift to Asia started to pick momentum in 1995 after the height of U.S trade pressure on Japan. Economic, cultural and political ties with Asia were strengthened at an accelerated rate. And it all made lots of sense. Asian nations were becoming not only manufacturing centers, often

in joint venture with Japan, they became great markets for Japanese products. By 1997, Asians were buying more Japanese exports than the United States, and Japan was having its greatest trade surplus with them now. But the United States was watching.

Individual deals don't rattle western experts as much as the prospect that Japan's entire model of export-led growth and barriers to imports will be imitated throughout the region. Some Asian governments are welcoming Japanese specialists to advise them on how to design and implement industrial policy. Japan's Ministry of International Trade and Industry (MITI) has experts visit China regularly to dispense know-how on industrial policy and economic development. "If we've been unsuccessful in dealing with MITI, think what that means for us in dealing with China over the next 50 years,"<sup>10</sup> says Mark Foster.

The problem then was not only Japan, but it was the danger of the Japanese model spreading to Asia, China included. The Americans noted that Japan was expanding its cultural exports. Japanese attempted entry to Hollywood was made a very expensive multi-billion dollar venture for them. Sony disclosed a \$2.7 billion write-off for its venture in Hollywood's Columbia Pictures. But the Japanese are now expanding these cultural products in Asia. Japan public TV expanded its programming from 105 minutes to twelve

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<sup>10</sup> *Business Week*, April 10, 1995, 112

hours per day. Japanese comic books & music bands started to appear in many places in Asia.

The Japanese started to compete with the Americans in technology transfer to the Asian countries. They started to send retired Japanese manufacturing engineers to develop parts industry in Asia, paying 75 percent of their salaries. Mitsubishi opened research facilities in China. The Chinese were happy to see this competition between Japan and the United States, but the United States was not. They noted that some of the MITI people were now advising governments outside Asia, such as Russia and Poland. This “missionary” work as considered by *Business Week* was going unnoticed by the western press “but in the next decade it could have a profound effect on global capitalism”<sup>11</sup>.

The Washington Consensus saw the Japanese model of capitalism as a real threat to “their” capitalism. Communism was the threat. Now it was Japan’s economic model. It was now the villain. If it was going to have “a profound effect on global capitalism” in the next decade the time to attack it strongly was now and not later, as long as it was done in a way that did not result in the American financiers shooting themselves in the foot. The first visible and vicious battle was staged in 1995. From 1990 until

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<sup>11</sup> *Business Week*, 1994 Special Issue, 32

then, a behind the scenes battle was on-going. Now it was moved to the front stage.

The year 1995 was not the best year in Japan's history as it started with two major problems. One was with nature, and the other was with the United States. U.S. President Clinton met the Japanese prime minister in Washington on January 11, 1995 and the USA was demanding that Japan open and deregulate its economy. It wanted Japan to improve the trade deficit it has with the United States, which amounted to \$63.7 billion in 1994. Six days later, in January 17, 1995, the earthquake that hit Kobe was ten times stronger than the one that hit Los Angeles. Yet Japan thought that dealing with nature was much easier than dealing with the U.S. power structure. The American financiers and the U.S trade representatives concluded that it may not be possible to expect Japan to yield to U.S. demand for total and immediate deregulation of its economy. Instead, it appeared that Kissinger's political step-by-step policy was now applied in the economic confrontation with Japan. The United States would make specific demands and would insist on them. It would apply all necessary pressure until these incremental demands were met. It must change the Japanese model in Japan itself, but it will do so piecemeal. The 1995 piece was defined as Japan opening its auto and auto-spare market for the United States. This seemed a credible demand as about 2/3 of the trade deficit is auto-related. The Japanese went to

argue that Americans bought Japanese cars because they liked them better, and they are made in the USA. anyway. Japanese did not like American cars. If Americans themselves preferred Japanese cars why shouldn't the Japanese. Some American car manufacturers tried to sell their cars in Japan keeping the steering wheel on the left side as in the USA, whereas cars in Japan locate the steering on the right since they drive on the left as in Britain. The American trade representative wanted to hear none of that. The U.S is determined, he said, to open the Japanese auto market and spare parts markets for whatever it takes. And the United States declared it would take certain sanctions against Japanese cars, including imposing tariffs. Such measures, thought Kiyohiko Nanao were "unilateral actions that violate international rules", and are not acceptable to Japan. The Europeans thought that the U.S threats violated the newly signed articles of the World Trade Organization.

The U.S - Japanese trade talks held on May 5, 1995 failed. On Sunday May 7, 1997 Clinton held a meeting at the White House, with his secretary of Treasury Robert Rubin and other key economic advisors. The subject was the Japan trade talks and the punitive measures the United States was to use in case Japan did not give in. It was decided by the Rubin-financiers team that a super yen against the dollar was really the tool that could subdue Japan, as a super yen against the dollar will cause a sharp drop in

exports and would greatly and adversely affect the Japanese economy. Also, the other tariffs against Japan would have an additional impact. Clinton inquired in that meeting about the reaction of the financial markets to the trade war. Earlier, even the hint about a trade war caused the dollar to tumble and stocks took a dive on Wall Street. Washington had to back down then. How about now, asked the president. Rubin assured the president that financiers and currency traders had already discounted the dollar in anticipation of sanctions. That must have been inside information to financiers. After forty minutes, Clinton gave his approval for the first open confrontation with Japan. Japan was given till the end of June 1995 to comply, else sanctions and tariffs would apply. But the super yen pressure was already in progress. Ten years earlier the dollar equaled 240 yen. Now when the yen was brought down to 80 to the dollar, the Nikkei started to fall to dangerous levels. At below 15,000 the banking system becomes threatened of being undercapitalized by international standards and its lending capacity will be threatened. As the yen soars, the Nikkei dives and the game continued until Japan finally gave up and accepted U.S. trade terms. Japan could take no more pressure. Since the collapse of the Berlin wall, the Nikkei share prices had tumbled by 60 percent. Domestic commercial prices of property fell by more than half. As Japanese banks hold real estate at their acquisition cost not their existing value, many of the Japanese balance sheets were not as good as they looked. The Nikkei was not making things better

either. But for now, the United States OPC had the piece it wanted from Japan. Pushing it any further may cause an uncontrollable global economic crisis which would affect even the financiers themselves.

After Japan gave in to American demands, the American magic started to ease the pressure on Japan. Within days of Japan's acceptance of U.S terms:

- The Nikkei was “assisted” up by +27 percent, from 14,295 about the time Japan accepted U.S terms to 18,158 on August 16
- The yen, with assistance and intervention from the U.S Federal Reserve, had moved significantly by 25 percent in a few months. At 85 yen to the dollar very few Japanese companies made any profit. At 90 yen to a dollar many did.
- As a result of the super yen policy that Washington used in its trade war against Japan, Japan's global trade surplus was brought down by 23 percent.

It was a lesson American financiers in harmony with the U.S. government had taught Japan, the world's second largest economy. If Soros alone could tackle the Bank of England, the U.S government and the global financiers attacked the Japanese

economy, big as it was. How big the Japanese economy is may be shown by giving an example: the Japanese Sumitomo bank alone has assets the size of the entire GDP of South Korea, the 11th largest economy in the world. Yet this huge economy was subdued!

The latest piece the global financiers and the American OPC demanded from Japan was lifting foreign-exchange limits due in April 1998. Some American “revisionists” on Japan believe that this step-by-step approach with Japan will not lead to Japan’s surrender of its Japanese model of capitalism. They believe that Japan needs a devastating depression to bring the kind of changes they desire. Vice Finance Minister Eisuke Sakakibara believes that some components of Anglo-American capitalism may be incorporated, “But I think that Japan in the end is going to remain Japan”<sup>12</sup>. Sakakibara knows all brands of capitalisms. He was the author of *Beyond Capitalism*. He argued in his book (1990) that special features of Japan’s non-capitalistic market economy should be preserved. He earned his PhD in economics from the University of Michigan and he later taught at Harvard.

In 1997, the Japanese banking sector was shaken. The Asian economic meltdowns were not of any help as Japan is the biggest lender to these economies. On November 24, 1997 Yamaichi Securities Co. with \$138 billion of investment in its care went bankrupt. It became Japan’s biggest post-world war two

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<sup>12</sup> *Newsweek*, Vol. 131, 25, 42

bankruptcy. About the same time, Korea was inviting the IMF to come and give it its harsh prescription. Korea was built on the Japanese model and now it's in the hands of the IMF. Rudi Dornbusch commented on Korea's crises and his remedies in *Business Week*:

Korea needs to open up its economy fully to outside participation. Foreign investors must take over and clean up the mess with a wave of unemployment that are long overdue. Neither the government nor the Korean business community can do the job.... foreign lenders, the IMF, the U.S and whoever else participates must settle for nothing less.<sup>13</sup>

It is a take-over as Dornbusch demanded, and nothing less. Is this what is waiting for Japan next?

What we labored to prove in this chapter was said by U.S president Bill Clinton, as straightforward as diplomatic language allows, at a White House event on Friday April 3, 1998 which was carried by Reuters and other press services:

We need to be both respectful but firm in urging the Japanese to take a bold course. The people within the (Japanese) permanent government there, which have always enjoyed

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<sup>13</sup> "A Bailout Won't Do the Trick In Korea" *Business Week*, December 8, 1997, 26

great power, have to realize that the strategies that worked in the past are not appropriate to the present. *Reuters*, April 4, 1998

In undiplomatic language “being firm” means the U.S must apply all pressure necessary to produce the change the U.S desires. Also in undiplomatic language “permanent government”, i.e. the Japanese brand of capitalism which was accepted in the past during the cold-war era, “is not appropriate” (i.e. not acceptable) “at the present” i.e. in the post-cold war order.

This announcement by the United States president “happened” to be at the time the Asian European Meeting (ASEM) was taking place in London between twenty-five Asian and European economic powers. Another “coincidence” that happened the same day of Friday 3rd April, 1998 was the announcement by Moody’s Investors Service that it had downgraded Japan’s sovereign debt ratings from stable to negative. This happened to a Japan that owns the world’s second largest economy. This all happened within three days of Japan’s liberalization of its financial sector in what became known as “Tokyo’s Big Bang”. Within that week of this cocktail of coincidences, the Nikkei stock average plunged by 7.3 percent and the Yen also plunged to a seven years low as a result of Moody’s downgrading. This downgrading was made based on sentiments of a firm known to be close to the global financial power houses but its effect became real. Is Japan going to

be continually hammered by the global infofinancial system until it gives up its own Japanese - economic model?

It is interesting again to note that Moody's second shocking announcement on Japan came about the time the ASEAN nations were convening in the Philippines in late July 1998, and on the eve of the election of a new Japanese prime minister. Moody's and its investors claimed to be concerned about the Japanese economy, and expressed worry about Japanese transferring huge amounts of their savings after the deregulation (Big Bang) which actually was forced on Japan.

In the first quarter of 1998, it was noted that the ferocity on the Japanese financial system was intensifying. It looked similar to Korea two years before the IMF take-over or bail-out. At that time inside information was "discovered" about what Koreans knew all along: cooperation between government, business, and banks, the Korean way. Two Korean presidents were sentenced, and were released after the purpose of these disclosures and trials were consumed. Now, the hated Japanese Ministry of Finance was suddenly being discovered as "corrupt", and pressure was being enormously applied on those who were resisting changes to the Japanese model of capitalism. Some were put on trial, and some committed suicide. Would Japan really be another Korea?

The question may sound naïve, but already it was rumored within global financial markets that Japan was asking for an IMF bailout and using its bonds as collateral. Of course this did not occur but for such a rumor to surface among money and financial circles is incredible. It also means that such financial and money circles don't think that such an eventuality is impossible.

The Japanese fundamentals are being attacked by infofinancialism that only wants one brand of capitalism. The socially – oriented, group - predominated Japanese capitalism is no longer wanted or accepted. It is not because the Japanese fundamentals are not working well. These same fundamentals worked for the past fifty years and gave Japan the most spectacular growth in this century. It allowed Japan to become the second largest economy in the world even after total devastation of a world war. It created the most equitable socially - oriented brand of capitalism that gave both virtual no unemployment and high growth rates simultaneously.

A year after the Asian crisis, the Washington - consensus of free - market capitalism seems no longer universally accepted as a de facto ideological model for the post - cold - war order. Several countries, to varying degrees *attempted to say NO to the infofinancialism* and the American led order. Such a system is no longer being taken for granted by everybody, and countries are opting out of it.

“The Asian crisis is entering a new stage when beleaguered nations erect walls between themselves and the dangerous forces of world markets. Malaysian Prime Minister Mahathir Mohammad imposes sweeping capital controls, fixes the exchange rate and sacks his reformist Deputy Prime Minister. The Hong Kong government pumps \$12 billion into its stock market to foil speculators and plans capital controls of its own. Taiwanese officials make it more expensive to short stocks. South Korea cancels the sale of Kia Motors corp. rather than accept low but realistic bids for the bankrupt car-maker. And Japan refuses to let its biggest banks fail... For months, the Japanese have been making noises about a tough clean-up of the banks. But in the last week, the tune has changed. Those backing a radical banking sector overhaul are ‘amateurs’ says Finance Minister Kiichi Miyazawa. ‘They have no idea what chaos will ensue.’”<sup>14</sup>

The same issue of *Business Week* adds, “Danger signs are everywhere: most U.S stocks are down 25 percent or more from their highs..... Asia sinks further into depression as Hong Kong, Taiwan, and Malaysia try to insulate their markets from the forces of international capital. Japan heads into its fourth quarter of contraction....and Latin America teeters on the edge of yet another recession. And the communists (the communists!) are on the verge

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<sup>14</sup> *Business Week*, September 14, 1998, 34

of regaining a measure of power in Russia, following the devaluation of the ruble...”<sup>15</sup>

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<sup>15</sup> *Ibid.*, 25

## *CHAPTER 14*

### *POPULIST ECONOMY OR*

### *THE IDEOLOGICAL CHASM BETWEEN ISLAM AND CAPITALISM*

“Before the Crusades arrived in Jerusalem in July 1099 and savagely butchered some 40,000 of its Jewish and Muslim inhabitants, Jews, Christians and Muslims had lived together there under Islamic rule in relative harmony for 460 years.” Preface-ix

“I now believe that the Crusades were one of the direct causes of the conflict in the Middle East today. I know that this is a startling statement and I welcome the opportunity to explore it in depth.” Introduction xiv

Karen Armstrong, *Holy War*, 2001 edition. Anchor Books, New York.

Abraham Lincoln said this about 150 years ago:

...corporations have been enthroned and an era of corruption in high places will follow, and the money power of the country will endeavor to prolong its reign by working on the

prejudices of the people until all wealth is aggregated in a few hands and the Republic is destroyed.<sup>1</sup>

Another American President, Rutherford B. Hays, said only few years after Lincoln:

This is a government of the people, by the people, and for the people no longer. It is the government of corporations, by corporations, and for corporations.<sup>2</sup>

Hays knew best, as he himself was advanced to the presidency by corporations and spent his years in the White House serving corporations.

This was corporate America, and this is how it is now and how it will ever be since its same values, systems and processes cannot produce but the same results, a land for the few, namely the money power in Wall Street, with opposing interests to the many in Main Street. The American Republic was designed as such by the same few and it was hijacked by them. The founding fathers, themselves feudal slave-owning landlords, decided that those who owned no property had no right to vote but then hastened to talk about human rights. Afterwards they decided in Congress that a

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<sup>1</sup> U.S. President Abraham Lincoln, Nov. 21, 1864, (purportedly in a letter to Col. William F. Elkins), *The Lincoln Encyclopedia*, Archer H. Shaw, Macmillan, 1950, NY

<sup>2</sup> [\*Diary and Letters of Rutherford Birchard Hayes: Nineteenth President of the United States \(vol.4, chapter 45\)\*](#), edited by Charles Richard Williams, The Ohio State Archaeological and Historical Society

black man was to be counted as a three fifth of one man for censorship purposes only, but still they gave him no right to vote. That was Capitalist America at its best at the very time Adam Smith wrote his theories to serve the feudal capitalists of his time.

If you read what an American populist said over a hundred years ago, you may think it was written today, as it described the very same symptoms of today's American capitalism's ills. Ignatius Donnelly said in his speech at the St Louis Populist Convention in 1896:

...we meet in the midst of a nation brought to the verge of moral, political and material ruin. Corruption dominates the ballot box, the Legislatures, the Congress, and touches even the ermine of the bench ... The newspapers are largely subsidized or muzzled; public opinion silenced, business prostrated, homes covered with mortgages, labor impoverished, and the land concentrating in the hands of capitalists ... The fruits of the toil of millions are boldly stolen to build up colossal fortunes for a few, unprecedented in the history of mankind, and the possessors of those, in turn, despise the republic and endanger liberty. From the

same prolific womb of governmental injustice we breed two great classes – tramps and millionaires.<sup>3</sup>

To change these results you must change the system that produces them. Some change in form but not in substance, so no change in ills occurred.

### Populism in America

As early as 1816, Thomas Jefferson said: “I hope we shall crush in its birth the aristocracy of our monied corporations which dare already to challenge our government to a trial of strength, and bid defiance to the laws of our country”.<sup>4</sup> Money power was not crushed in its birth. Instead, its influence continued to grow until it hijacked America. Wall Street, the seat of money power, acquired Main Street and turned American democracy into a plutocracy that steers mechanical processes of elections dominated by the money power’s three Ms of Money, Media and Marketing of politicians and goods.

In 1829, the United States had 329 banks; in 1837, the number had more than doubled. Manhattan became the major money center and it handled 40 percent of the United States’ foreign trade. The amount of loans between 1829 and 1837 went up about four times. Credit restrictions, crop failures and falling

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<sup>3</sup> <http://historymatters.gmu.edu/d/5361/>

<sup>4</sup> [Thomas Jefferson](#), [John P. Foley](#), *The Jeffersonian Cyclopaedia*, Funk & Wagnalls company, 1900, 73.

prices of cotton caused one panic and depression after another; typical of capitalism's cycles then and now. Every ten or twenty years, the 19<sup>th</sup> century would witness a new economic crisis, as in 1819, 1837, 1857, 1873, 1884, and 1893. The net losers were the farmers and working classes and the net beneficiaries were the very same few, the owners of money power.

The world's leading investment houses, such as the Rothschilds and Baring Brothers, neither solicited business nor stole one another's client. They wanted kings, governments and others to come to them, and they did. George Peabody, a merchant who turned himself into merchant banker, left the United States for London to become the bridge for European capital to the United States. He chose Junius Morgan as his partner to be located in London, while Morgan's son Pierpont looked after the U.S. side of the business. The Morgans became the bridge that connected much of the European finance, especially British, to the United States.

Global money power was truly global before the word globalization became today's capitalism catchword. Europeans held in 1853 about \$222 million in American securities. In 1857, European demand for U.S. products plummeted, while the Bank of England raised interest rates to stop the capital outflow to China

and India. This caused a crash on Wall Street and the panic of 1857.

The period between 1862 and 1865 federal power was consolidated because it was easier for money power to control the few in Washington than the many throughout the states. Political power was transformed by Congress from the states to the federal government. Huge tracts of public land were encouraged. As the North was in need of workers and consumers for its expanding industries, tariffs were imposed to protect the industry of the North from foreign competition, and a national system of federally chartered banks answerable to the Treasury was created. If wars are a blessing for the financiers, the ordinary people are those who will pay for them. A Bureau of Internal Revenue was created to help finance the Civil War, and income was taxed for the first time in August 1861, at 3 to 5 percent. The tax was phased out in 1872 and was re-imposed by 1914. Lincoln was pushed to implement these changes. Congress also passed a Conscription Act; requiring able-bodied men aged twenty to forty-five to serve in the army. Rich people were allowed to pay \$300 as a substitute for this service. Many future robber barons and politicians did not serve in the army, and that included President Lincoln's son Robert, John D. Rockefeller, Andrew Carnegie, Jay Gould, Jay Cooke, Theodore Roosevelt Sr., etc. The Civil War was fuel and paid for by the poor then and now. Riots in the poor sections of towns erupted. People

would shout: “Down with the rich” and call the rich people “300 dollar men”. Pushed to do the agenda of war by money barons, Lincoln told a friend: “If there is a worst place than hell, I am in it.”<sup>5</sup>

By the time the civil war ended, national debt was \$2.8 billion, and the economy started to contract. The farmers’ interest was for money supply to remain as during the war, which tends to depress interest rates, and inflation would help them pay their loans, as their products’ prices would be higher. Lenders of money, for exactly the opposite reasons, wanted tight money supply.

During the Civil War, the Federal government printed money to help cover part of the war cost. These bills were called green backs and were not covered by gold. Keeping the greenbacks or retiring them became an issue; farmers on the one side and bankers and the U.S. Treasury on the other. Much of the government debt came from the European well-known war financiers and those favored a gold standard and retiring the greenbacks. A new sectional conflict developed between the eastern bankers, foreign financiers, traders and the Treasury, on the one side, and the farmers/debtor class at the other end. The roots of populism can be found at this point in America’s history.

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<sup>5</sup> Goolrick, William K., and the Editors of Time-Life Books, *Rebels Resurgent: Fredericksburg to Chancellorsville*, Time-Life Books, 1985, 92-93

The Republicans became the party that pledged itself, in 1868, to protecting the gold standard. The proponents of the gold standard and tight money supply claimed they were not after “tight” money but they wanted “sound” money, claiming that others were after “soft” money. Farmers’ and workers’ income was in steady decline. The contradiction between economic indicators of Anglo-Saxon capitalism and the real quality of life of the majority of people was obvious in the misery of farmers, having reached the point of starvation, in the occurrence of economic depressions, recessions, deflation and what else, at a time the indicators showed growth and prosperity. If true, that growth and prosperity was totally overtaken by the very few bankers and their cronies.

Much of the capital for financing the American civil war came from Europe. Two firms dominated this business of financing wars, and war indemnities and reparations. They were the Rothschild’s and the Barring Brothers. The Barring Brothers financed the United States government for the Louisiana Purchase.

In May 1873, the Vienna stock market collapsed, and the trouble spread to Berlin, Amsterdam, Paris and London. That caused British investors to stop buying American securities. In the fall of 1873, the trouble reached the United States – causing one of the worst depressions in American history. Some railroads defaulted and that bankrupted several banks. On September 18, 1873, Jay

Cooke & Co, the leading private banker of the United States government, failed. This was followed by the failure of fifty-seven investment firms and, on September 20, the New York Stock Exchange closed for the first time in history. Just like hot money today, that can depart a country in a second by a computer program, European investors' money could vanish overnight; the effect is the same. The one difference between 1873 and now is the fact that no central bank existed then to regulate money supply. That function was left to the private bankers directly. Actually J.P. Morgan was acting as the unofficial central banker and he imported money from England to ease the sudden contraction. President Grant authorized the Treasury to pump back \$26 million of the retired greenbacks. Still the country went into a six-year-long depression that that was called the Great Depression, but the 1929 depression was greater and thus stole the name. Foreigners lost \$600 million in the United States and 327 banks suspended payments between 1873 and 1879. Ten thousand companies were wiped out.

The government was weak by design and it was also corrupt and a tool to push the interests of the robber barons. Political parties and the government were both employed to facilitate what the robber barons wanted, then in the open, today in more developed and packaged ways and means, but with the same end

result. For example, Rothschild's American agent August Belmont was the Democratic National Committee Chairman. Party leaders brokered deals. Legislators from both parties accepted bribes in cash, stocks and other financial favors from railroads and corporations. Republican National Committee Chairman William E. Chandler was being paid by four different railroad companies at the same time. Some members of the senate were also receiving retainers from big business. Governor of Ohio Rutherford B. Hayes (later president) was sold land at give-away price by financier Jay Cooke. It is interesting that Hayes received big contributions from the financial community – including Drexel Morgan. The big contributions were justified as necessary for their “future syndicate business and facilities” and to defeat “the advocates of inflation”.

Financiers claimed that increasing money supply, as farmers wanted, meant inflation. President Grant's administration “proved to be the most corrupt of the century, with financial scandals tarring nearly every member of the cabinet”, wrote Jean Strouse in her book “*Morgan, American Financier*”. She added: “Both of Grant's vice presidents were implicated in the 1872 Credit Mobilier fraud, in which a construction company set up by Union Pacific Railroad profiteers issued stock to congressmen who authorized federal subsidies and looked the other way, until the arrangement as exposed by the New York Sun. The Navy Secretary took bribes from naval suppliers, the Interior Secretary's son sold surveying

contracts, the secretary of war got kickbacks from Indian trading posts, the president's private secretary was involved in a whiskey-tax scam, and Grant's brother-in-law helped Jay Gould corner gold." She added: "Since the federal government had no clear fiscal or monetary policy, leadership on economic questions came largely from the nation's financial capital – New York." Wall Street then, like now, controlled Washington, except new marketing techniques were developed to package Wall Street puppets. Wall Street could easily un-package them when they go out of line. One century exactly after Grant's vice presidents were implicated in fraud in 1872, Nixon's Vice-president Spiro T. Agnew had to step down as it was revealed he received a bribe from a local contractor. Those sent to Washington are normally selected with such a background, and they can be blackmailed out of office any time. In 2002, Bush Jr. attacked corporations and CEOs who defrauded investors. The next day, it was revealed that Bush himself received a soft "loan" from Harken to buy its stock and two to three weeks before the company's stock collapsed, he sold his stock at several hundred thousand dollars profit. This occurred while Bush was sitting on the board of that company in the 1980s. Also, Bush's Vice-president Dick Cheney, it was simultaneously revealed, used shady accounting practices to inflate profits (and company shares value) of Halliburton when he was that company's CEO.

But no American movement before or after the civil war challenged the injustices of Anglo-Saxon finance capitalism of the 19<sup>th</sup> century robber barons like the populist movement. The People's Party, which was the party movement formed, distrusted both parties that existed and it had its own, very different, vision for a very different America. It was a new, revolutionary way at looking at things. They went to investigate the causes of poverty and they discovered the strength of "cooperation and organization". After the 1890 national elections, the People's Party had ten representatives and five senators in Congress. More triumphs were repeated in 1894. The People's Party slogans were "people's money", "people's land", "people's wealth", and "people's transportation". And the populists provided more than slogans. They provided solutions to restructure the economy so it served people, not the few financial barons the system was designed to serve. At that, like today, the business and financial robber barons dominated and assumed effective control of the American party system, North or South among Republicans and Democrats alike. Both parties stepped away from social and economic issues. Their politics was basically one of sectionalism or racial patriotism.

The populists transferred the public debate to real issues and the "financial question was given its well-deserved priority". How was money created and on what basis did it circulate? Who shared the fruits of the increasing American production? How can Americans secure minimum income for a dignified living? Should

the government Issue money directly to the people or through banks? What is money? Was it gold? Or silver and gold? They had good reasons to ask these questions. In the first year of the civil war, the Federal government received huge amounts of loans from the banking community, often referred to as the Eastern financial community. As not enough gold was available at the time, the gold standard was quietly retired. Congress also authorized the issuance of “legal tender treasury” notes that totaled, at the end of the war, about \$450 million. As their ink was green, they were called “greenbacks”. Immediately after the war, the bankers and other credit-holders wanted a return to the gold standard. Having purchased government bonds with a depreciating currency during the war, they looked forward to making enormous profits from reducing their holding in gold valued at pre-war level. They also requested contraction of money supply to pre-war level and retiring of the greenbacks. This way bankers will be compensated practically twice the money they spent and taxpayers would pay the difference to the holders of the bonds – the banking community. Congress, always obliging to the moneyed interests and always finding holy justifications for unholy causes, claiming to defend the nation’s honor, restored the gold payment to the bankers and the government restricted money supply again, as requested by the banking community. A severe depression followed.

The anti-capitalist “Greenback Party” was formed by the farmers/debtor class who saw the move back towards gold after the civil war as a dirty plot by the financial barons and their foreign counterparts. They demanded more greenbacks, abolition of the money monopoly by the financial barons, reduction of the federal debt and an end to foreign investment in the country. William Allen, governor of Ohio, labeled recent legislation by Congress as a conspiracy between the money barons and their stooges to “drain the life-blood of the American people”. The critics of Wall Street demanded that the government sell its bonds directly to the people and not through banking syndicates, and that debt be paid to the bankers in greenbacks not in gold or silver. The deflation of the 1870s was increasing the value of the banker’s debts. However, the bankers claimed that return to gold would be a return to sound money, would preserve American integrity and foreign investors’ faith in it, and would prevent “wild” inflation. The Greenback Party won more than a million votes in the mid-term elections of 1878.

During the 1873-1879 depression, consolidation and mergers created strong monopolies in various sections of the economy. Railroads consolidated ownership of regional systems, co-ordinated information and restricted competition. John D. Rockefeller dominated oil, and Andrew Carnegie controlled steel. The depression allowed both to acquire competition at a fraction of

cost. The ways used to acquire competition were not above board. Rockefeller spied on his competitors, deprived them of raw materials, colluded with railroads to charge them higher freight and kick back the difference to him, and he sold in their region at below their cost to drive them to bankruptcy or to selling their business. By the end of the depression, in 1879, he owned 90 percent of the refining business of the United States.

This is not Adam Smith capitalism, which he had in mind when talking about the invisible hand of market forces that governed economic activity. He theorized that firms' that endeavor to grow faster and make more money will be controlled by competition which will ensure that all make equal profits and thus none of them can dominate or monopolize the market.

In January 1874, New York police broke up a demonstration by thousands of protesters who were asking for "work or bread", and tens of the protesters were arrested. In the case of coal miners who protested their medieval living and working conditions, the owner of the mines hired a secret detective to infiltrate the workers who were trying to form a union, and quick justice was performed as the private detective acted as prosecutor and witness and twenty of the workers' leaders were executed. After the Baltimore & Ohio Railroad cut workers' income twice in 1877, workers went on

strike. The strike quickly spread to other lines and industries. Governors called militiamen and President Hayes called Federal troops to break the strikes or “restore order”, as protesting workers set fire to railroad cars and engines after militiamen killed 100 workers and injured several hundreds. This Great Strike was brought to a bloody conclusion.

After the dot com collapse of 2000/2001, Wall Street feared a great depression if a war or the so called War on Terror did not occur. The ruling and money class created the Homeland Security Department and a Patriot Act in anticipation of potential social upheavals that may result from an expected systemic breakdown of finance capitalism.

In the Lampasas County, Texas, distressed farmers formed the Knights of Reliance, renaming themselves the Farmers Alliance. This movement, which was formed in 1877, became known as the populist movement. The motive of the movement was defense against tight money, usurious lenders and deflation. They decided to form cooperatives amongst them that would buy for them their needs at wholesale prices and would store their products and sell them at optimum prices. They devised a scheme whereby they could provide their farms and cattle as security for the operating loan. The biggest such cooperatives were the Statewide Texas Exchange. In the spring of 1884, in Milam country, east of Lampasas, Charles W. Macune, a young country doctor, joined the alliance and, with

the original founders, reorganized their movement. Confidently he ordered over \$100,000 worth of supplies from wholesalers, sold stock shares to the farm families, and collected \$20,000 in cash and \$200,000 in collaterals from farmers to secure the operating loan. He tried to borrow the working capital to pay for the wholesalers and he was turned down by every banker. Only through a statewide fund-raising campaign could Macune secure \$80,000. But the second year the cooperative could not make it and it had to go under.

Farmers wanted to confront the crop lien system, which was to the farmers of the south, white and blacks alike, a modified form of slavery. Lawrence Goodwyn's book *Democratic Promise-The Populist Movement in America* described this system:

The farmer, his eyes downcast, and his hat sometimes literally in his hand, approached the merchant with a list of his needs. The man behind the counter consulted a ledger, and after a mumbled exchange, moved to his shelves to select the goods that would satisfy at least a part of his customer's wants. Rarely did the farmer receive the range of items or even the quantity of one item he had requested. No money changed hands; the merchant merely made brief notations in his ledger. Two weeks or a month later, the farmer would return,

the consultation would recur, the mumbled exchange and the careful selection of goods would ensue, and new additions would be noted in the ledger. From early spring to late fall the little ritual would be enacted until, at 'setlin-up' time, the farmer and the merchant would meet at the local cotton gin, where the fruits of a year's toil would be ginned, bagged, tied, weighed, and sold. At that moment, the farmer would learn what his cotton had brought. ... The accumulated debt for the year, he informed the farmer, exceeded the income received from the cotton crop. The farmer had failed in his effort to 'pay out', ... The 'furnishing merchant' would then announce his intention to carry the farmer through the winter on a new account, the latter merely having to sign a note mortgaging to the merchant the next year's crop. The lien signed, the farmer, empty-handed, climbed in his wagon and drove home, carrying with him the knowledge that for the second or fifth or fifteenth year had not paid out.<sup>6</sup>

Interest charged by the merchant nears 100 percent, sometimes 200 percent. Since the farmer's only income is mortgaged to the merchant, the farmers' every move becomes controlled by the merchant. Only after I understood this system, did I understand the lyrics of a song by Tennessee Ernie Ford that became a hit during the 1950s when I was attending college in

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<sup>6</sup> [Lawrence Goodwyn](#), *Democratic Promise: The Populist Moment in America*, Oxford University Press, 1976, 23.

America: “Sixteen tons and what do you get? One day older and deeper in debt. I owe my soul ... to the company store.”

The East financiers advocated price stability behind the measures they requested, but prices not only came down to pre-civil war levels, they continued going down. Wheat sold at \$2.06 a bushel in 1866, became \$1 in 1876, \$0.80 in 1880 and down to \$0.35 in the Dakotas in 1890s. While the farmers were subjected to such distressful prices, the falling prices were accompanied by usurious interest rates that approached or exceeded 100 percent. The furnishing merchant charged 25 percent to 50 percent for credit sales. An additional 30 percent or 50 percent interest was added at the end of the season.

At the St. Louis Alliance convention in 1889, Macune and the Populist Party had a plan: They advocated that democracy required a democratic money system that decentralized the control of credit and allowed it to flow to the real producers, thus spreading opportunities and income as widely as possible. This can be accomplished by direct government lending to producers without middlemen (i.e., banks).

They detailed a complete scheme that became known as the sub-treasuries scheme. In every county of significant agricultural production, the U.S. Treasury would establish a federal warehouse

and grain elevators, thus creating thousands of these centers called sub-treasuries. A farmer could deposit his produce at the sub-treasury and then borrow against his crops at a 1 to 2 percent rate. He may sell his crop at the going prices or he may want to borrow on the value of his land. The farmer could be paid by the greenbacks - the dollars printed without gold cover, but which were now covered by real production. Payment could also be made by other negotiable certificates of deposits that could be traded. This money supply, the plan argued, may be theoretically withdrawn after farmers pay their loans.

The purpose of land loans, they argued, was to stop deflation by raising the money supply to about \$50 per capita, which was similar to the per capita money supply during the civil war.

One of the populist's most revolutionary principles was that money should have a social purpose, and not just be used for making more money. Until Japan was forced to change its economic order by Clinton's pressure on Japan, money in Japan was a utility with a social function to maintain full employment and for-life employment.

Obviously this plan was revolutionary since it would circumvent the bankers in the lending process and the credit would go directly to the users. Such a fair system could never make it as

long as the bankers had their stooges in Washington and as long as they commanded the power of money.

The populist's monetary arguments concentrated on:

\*New definition of money that was monopolized previously by the financial community.

\* The power relationship between the bankers and everybody else and the currency that interconnects between them.

\* The immorality of the existing system.

Harry Tracy, of Texas, in 1894, published a treatise, as part of James H. Davis' Populist book *A Political Revelation*. In it he discussed modern day economic issues and their interacting effects, such as money supply and velocity, inflation and deflation, overproduction and under-consumption and distribution of wealth to the whole population.

On the sub-treasury system he wrote: "Under this plan, the farmer stores his own product, delivers it to the manufacturer or consumer himself through his elected agent, instead of the speculator doing it"<sup>7</sup>.

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<sup>7</sup> Ibid., 368.

When the U.S. Treasury bailed out commercial banks by extending \$47,000,000 credit at a one percent interest rate, Tracy wrote:

... now if the government can loan these bankers money at one percent on collaterals, why can't the government loan it to the people on their collaterals? If the government can bridge the bankers over a close money market and keep them from having to sacrifice their collaterals, why can't the government do the same by the people? What a burlesque on democratic government for 4,000 men, because they are rich, to enjoy privileges that are denied 65,000,000 people.<sup>8</sup>

The populists argued that the American monetary system was oppressive. They started by the very definition of what money is. A newly elected People's Party Congressman explained: "We recognize money as a creation of law, a simple representation of value, an instrument of exchange and not in any true sense a commodity"<sup>9</sup>. He answered one of the basic ills of the late 20<sup>th</sup> century capitalism in which money as a commodity played the major part. Other reformers went on: "Gold is no more money than is paper. Nothing is money in any full legal sense until it will pay a debt without possibility of refusal."<sup>10</sup> "The Advocate" editor Stephen McLallin wrote: "There is no more reason that the material

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<sup>8</sup> Ibid., 369.

<sup>9</sup> Ibid., 371.

<sup>10</sup> Ibid.

in a dollar should have an intrinsic value equal to a dollar than that the yardstick should possess an intrinsic value equal to the value of the cloth that it measures. Money as such possesses neither length, nor thickness, and its only value consists in the fact that by law and custom it is the medium by which debts are paid and wealth exchanged.”<sup>11</sup> McLallin concluded that the true value of a currency depended on the wealth of the country, defended by its productivity and not by an intrinsic value of a metal. McLallin’s Kansas paper became the most read paper in the Western plains.

The populists were outraged by the inequities of the national banking system, and the corporate corruption of the democratic system. They also resented the collusion between capitalists and politicians, in which state power was added to corporate power to suppress the working people. They noted in many instances that violence was started by the capitalists during strikes to provide reason to bring in state troops against the workers, as was the case in the 1894 dispute between the Tennessee Coal and Iron Company and the miners. The strike was broken by troops. Some of the strikers were placed on trial for acting against the government of the United States.

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<sup>11</sup> Ibid.

William Lamb began toying with the idea of a vast coalition between farmers and workers in rural and urban areas to restructure America's politics and finance. Some alliance members wanted to join the Knights of Labor, and the Great Southwest Strike of 1886 in which a series of minor and major battles between armed deputies and armed strikers occurred. In Fort Worth, Texas, over 400 Texas Rangers and 100 deputies patrolled the streets. Thousands of people were indicted, hundreds were jailed, and many were killed. William Lamb wanted the Farmers Alliance to support the labor movement. By his definition, farmers are workers! The Knights of Labor leader, W.L. Farmer, expressed his disgust with both Republican and Democratic parties and the political system. He said:

The Republicans stole the goods and the Democrats concealed them. ... We have an overproduction of poverty, barefooted women, political thieves and mass liars. There is no difference between legalized robbery and highway robbery ... if you listen to other classes you will only have three rights ... to work, to starve and to die.<sup>12</sup>

Political speeches dominated after every sub-alliance meeting and the sub-alliance chaplain added the new social message to the message of the gospel.

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<sup>12</sup> Ibid., 76

The delegates of the Farmers Alliance convened in August 1886 near Dallas, Texas, and their committee made demands, which were an accumulation of their grievances since the civil war. They sent their seventeen demands to the president of the alliance, as well as to the governments of Texas and the U.S. Among them, the committee demanded “such legislation as shall secure to our people freedom from the onerous and shameful abuses that the industrial classes are now suffering at the hands of arrogant capitalists and powerful corporations”. But the most revolutionary demand concerned the financial issue. After airing their grievances on how the Texas financial community mistreated them, they proposed a federally administered national banking system. They demanded money supply be issued by the Federal Treasury and regulated by Congress. C. Vann Woodward wrote in the *Origins of the New South*:

In their attack upon the national banking system, the agrarian economists were on solid ground in contending that private privilege was exercising a sovereign power as the power of regulating national currency, for private gain rather than for meeting the needs of the country.<sup>13</sup>

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<sup>13</sup>Comer Vann Woodward, *Origins of the new South, 1877-1913*, Louisiana State University Press, 1951, 186

The Farmers Alliance in the west were paying a bushel of corn in freight cost to transport a bushel even to the next state, whereas the large companies were granted special rates, such that their transport cost from Chicago to London was cheaper than the rate for the farmer to ship his crop from one state to the other! The money supply and the entire national banking system, dominated by the Eastern commercial banks failed to keep money supply in line with expansion, causing fall of prices, tight credit and high interest rates. The populists started to call for a new national system and new national money, issued by the government rather than the privately owned national banks, as was then the case. They spoke of “centralized capital, allied to irresponsible corporate power”<sup>14</sup> which was a “menace to individual rights and popular government. While Railroad Corporations are penetrating almost every locality with their iron rails, they are binding the people in iron chains”.<sup>15</sup>

The People’s Party presidential candidate declared in a speech “... we have only to point to our legislative records of a quarter of a century – every page of which is burdened with legislation glaringly partial and in favor of other classes. To the charge that our policy tends to centralization of government power, we have only to point to the fearful encroachments of irresponsible corporate power upon

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<sup>14</sup> [Lawrence Goodwyn](#), *The Populist Moment: A Short History of the Agrarian Revolt in America*, Oxford University Press US, 1978, 114

<sup>15</sup> Ibid.

the function of government.”<sup>16</sup> Leonidas Lafayette Polk, in an address in St. Louis, said: “The time has arrived for the great West, the great South, and the great Northwest, to link their hands and hearts together and march to the ballot box and take possession of the government, restore it to the principles of our fathers, and run it in the interest of the people.”<sup>17</sup>

The industrial revolution was accelerating, and by 1890, the official U.S. census showed revenues from manufacturing exceeding revenues from agriculture. The industrial revolution was bringing problems and turbulences of its own. As many as 1,600 strikes occurred in 1886. The post-civil war decades produced a great deflation, two depressions, bank failures and popular discontent. The banking sector in this period introduced demand deposits and checking accounts. This new money drove it further into abstraction as now people accepted money as a number and an account in a bank’s ledger that may be redeemed by another paper; a personal check or draft. By 1900, most people accepted this new money.

The banking system was shaken by one tremor after another. One was in 1893 and another in 1895. Within this period, investors

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<sup>16</sup> [Lawrence Goodwyn](#), *Democratic Promise: The Populist Moment in America*, Oxford University Press, 1976, 258.

<sup>17</sup> [Lawrence Goodwyn](#), *The Populist Moment: A Short History of the Agrarian Revolt in America*, Oxford University Press US, 1978, 167.

now worried about a political revolution as the populists were at their peak, or they feared hyperinflation. They began, in 1895, to flee from the American system and started to withdraw their money from U.S. financial institutions, demanding gold and shifting it overseas - mainly to Europe. The federal government's own gold reserves were drained quickly. In desperation, the U.S. government turned to J.P. Morgan who organized a syndicate of bankers. They gave the U.S. 3.5 million ounces of gold as a bailout. J.P. Morgan & Co was acting as the central bank of the government. After the 1893 bank crisis, the American Bankers Association proposed, in 1894, what they claimed to be a reform: creating a new national currency to be guaranteed unconditionally by the United States government, but (and that is where it differed from the Populist proposal) to be distributed by the commercial banks.

The basic problem, as analyzed by Lawrence Goodwyn, with the People's Party and the Party of Reform was one of having the largely Catholic, largely immigrant urban workers of the North, organized by the largely Protestant, Anglo-Saxon Alliance organizers! The social theory the Alliance-populism created lacked sufficient appeal to those who had not received the Alliance indoctrinations. The workers of the North were skillfully sheltered by the Democratic Party machine. Someone in 1892 had to develop a broader theoretical analysis to speak to the plain people in the cities of America. The Alliance organizers in 1892 did not know

how to address the urban workers. They needed to translate the populist culture into ideology, since populism was indeed a different ideology from the prevailing one. The People's Party had little, if any, institutional means to attract the millions of industrial workers. Also a problem was the dynamics of politics brought to the party's national committee political brokers who outnumbered the ideological populists. The party's new national chairman, Herman Taubeneck of Illinois, was himself an incipient political broker. To spread the populists' doctrines to the nation's cities, the National Citizens Populist Alliance was formed. It could not accomplish much.

To create a third national party involves great organizational and tactical complexities. What encouraged the third party founders was the fact that they remembered that the pre-war Republican Party sprang from obscurity in 1854. Within six years they leaped to national power, because the old Whig Party became hopelessly anachronistic. Both major parties appeared anachronistic in 1892 and both were in the grip of the money power. Both were turning their backs on the interests of the people.

Also, the number of farmers as a percentage of the total population was in continuous decline and the urban city workers on the increase. Populism as a movement went into decline.

Populists were suffering greatly from the recessions, depressions and the falling prices of their crops. In the 1890's depression many of the farmers literally could not afford to pay \$1.00 a year for the yearly subscription of a populist newspaper.

Populist media power was weak. Deprived of advertising revenue, the populist newspapers depended upon circulation revenues. Therefore, most of the reform papers were a one-man operation. Circulation was normally not enough even to sustain such minimum operating costs. The Reform Press Association started to provide its members with a two-page "ready print" that usually were latest verses of the third party "gospel" under the guidance of W. Scott Morgan of Arkansas. The two pages became the interior pages of the four pages populist papers. Around 1,000 such papers existed in the 1890s, but due to losses, many of them went out of operations quickly. As if these financial hardships were not enough, these newspapers and their editors were the subjects of physical attacks. For example, the shop of "Living Truth" in Greenville, Alabama was broken, and the type was scattered, in 1892. Fire broke out at the editor's home the year after. Still he did not miss an issue that year. Thomas Gaines of the Comanche Texas paper "Pioneer Exponent" received many threats and attacks that extended to his family. The co-editor of the "Alliance Vindicator" was shot and killed in Texas.

Lawrence Goodwyn described the populist editors as fostering an aura of democratic morality and sensitivity towards humanity. To those editors, what was American “What was democracy when aggressive ‘captains of industry’ could buy whole legislators and keep the United States Congress in a perpetual state of genteel servitude? What was honest labor when ruthless structuring of the currency drove the price of farm products below the cost of production? What was thrift when high interest rates gobbled up farmland or when railroads made more money shipping corn than farmers did in growing it? Where was community virtue when bankers, commission houses, and grain elevator companies wantonly destroyed self-help farmer cooperatives? Where was dignity when farm women were forced to go barefoot and the furnishing man determined what a farmer’s family could or could not eat? Where was freedom when the crop lien system was enforced by the convict lease system? What did the old virtues mean, in such a setting?”<sup>18</sup>

“To populists the ruthless practices of Jay Gould seemed bad enough; when coupled with the power of the Gould-owned Associated Press to glorify industrial captains in the public press, it seemed that industrial America had no ethical moorings at all. What value did democratic public opinion have when good

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<sup>18</sup> Ibid., 207

reformers were consistently ridiculed ... by well-dressed editors who thrived on the advertising support of self-interested businessmen? In the broad application favored by populists, the 'money power' symbolized much more than the gold standard, private national banks, or the 'lordly capitalists' of Lombard and Wall Street. The money power was corrosive because it was changing the rules under which Americans acted politically".<sup>19</sup>

In 1893, a new stock market panic caused one of the worst depressions in American history, which resulted in bank failures, business bankruptcies, thousands of layoffs, and further decline in farm crop prices. As gold reserves declined, president Cleveland asked the English Rothschild's through their agent August Belmont Jr. to syndicate a \$100 million Treasury loan; the Rothschild's insisted that the new loan must be payable in gold or pound sterling. Through an arrangement with J.P. Morgan, an unpopular contract between J.P. Morgan & Co and the government was signed, which they offered at 112 ¼ - nearly eight point higher than the syndicate offered price. Morgan sold out all the bonds in twenty minutes.

The Rothschild's participation provoked a display of the anti-Semitism that has animated xenophobic Populism of the left and right throughout American history, reflexively linking issues of

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<sup>19</sup> [Lawrence Goodwyn](#), *Democratic Promise: The Populist Moment in America*, Oxford University Press, 1976, 358

money and credit with Jews. William Jennings Bryan ordered the House Clerk to read Shylock's bond, then demanded "that the Treasury shall be administered on behalf of the American people and not on behalf of the Rothschild's and other foreign bankers". Pulitzer's World complained that "Wall Street conspiracy" of foreign aliens and bloodsucking Jews had robbed the country of millions in twenty minutes. Mary E. Lease, a Populist writer who advised farmers to "raise less corn and more hell", denounced Cleveland as "the agent of Jewish bankers and British gold".

It is amazing how little has changed between the conditions of the 19<sup>th</sup> century and those of today. Wealth disparity is embedded in the system, and a division between the few who own money power and the working class changed little. In 1889, an article titled "*The Owners of the United States*" showed that the 100 richest men in the country had an annual income of between \$1.2 million and \$1.5 million, whereas 80 percent of American households earned less than \$500 a year.

The populists' solutions were original American ideology that stemmed from outside the box of capitalism. Capitalism fought them savagely openly and covertly, as it was a life or death issue to the owners of money power. Populists wanted to transfer most of the privileges enjoyed by the privileged owners of money power to

the people. They wanted the government to intervene on behalf of the majority on Main Street, against the evils of the minority on Wall Street, and not vice versa as was and is the case.

### *Economic in Islam*

Money role in society is different. It is not a commodity to make more money but it is an instrument with a social function. Money creation is the business of government directly to the people, with the intervention of usurious intermediaries. Treasury will lend to productive economy as a partner in profits and losses, as the principle of interest simply does not exist. Think what Citigroup or Goldman Sachs would think of this!

Natural resources and public utilities are owned by the government on behalf of the people. Think how Chevron would like this! Any wonder why oilmen George Bush the first and the second saw in Islam, a religion of 1.5 trillion people, a quarter of the world population, under whose lands 70 percent of the oil rests. As the guardians of global capitalism, America wanted these principles locked, lock, stock, and barrel, away from public life or even discourse, and they assumed that they could do so conveniently under the label of secularism.

Usury is the backbone of banking and the center of capitalism without which there will be no capitalism. Islam is strongly against usury. It is not only illegal but it is also a major sin. It was a sin in

all religions until the Protestant Reformation slowly but surely legalized usury and unleashed capitalism that centers on usury. Islamists who advocate the application of Muslim values are undermining capitalism from its foundations.

If less government and deregulation brought America to the brink of economic destruction, Islam reserves a fundamental role for government as it is supposed to protect the many and not the few.

After September eleven, Henry Kissinger said in a London speech that few really understand how different Islam is from the West. That is indeed a true statement. The owners of the money power in global capitalism understood the difference and so did their cronies in Washington and the governing elites. This difference is the real cause for the assault presently carried out by capitalism against Islam, conveniently camouflaged as a war on terror.

OECD, the Organization for Economic Cooperation and Development, however understood this difference. It made a study on Islam's unique economic vision and how it differed from both capitalism and socialism. The study reported:

Islamic concepts are different from capitalism by their opposition to excessive accumulation of wealth and contradiction to socialism, by their protection of the rights to property including ownership of the means of production. A true Islamic society must not be an arena where opposing interests clash, but rather a place where harmonious relations can be achieved through a sense of shared responsibilities. The individual's rights must be equitably balanced against those of society at large.<sup>20</sup>

In a dissertation on "The Islamic Political Theory of Muhammad Baqir al-Sadr of Iraq " T.M. Aziz, who is a Visiting Scholar at the Center of Near Eastern Studies, University of California at Los Angeles (UCLA) wrote on the Islamic perspective of political economy. He wrote:

With the collapse of communism in Eastern Europe and in its heartland, the Soviet Union, the world is yet again dominated by the practices and laws of capitalism. ...No other alternative routes for economic development are envisaged but to let "the laws of the market" play their course in the marketplace. The "invisible hand" of the market is more visible now than at anytime as the determining and decisive factor in the lives of nations and men. Consequently, the self-interest of members

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<sup>20</sup> [William Greider](#), *Secrets of the Temple: How the Federal Reserve Runs the Country*, Simon & Schuster, 1989, 175

of society is to be the driving force of economy, and the law of supply and demand the regulating mechanism of profiteers in society. Even economists in what used to be the Marxist bloc are subscribing to such economic behavior as the only alternative to remedy the ills of the economies of their nations.

Not quite true, say many Muslim thinkers and political activists. They believe that Islam provides humanity with solutions to problems created by imperfect man-made political systems and moral values. Islam, according to them, is a divinely ordained social framework that should guide humanity to peace and tranquility in all aspects of life, physical and metaphysical. One of these thinkers and political activists was Muhammad Baqir al-Sadr of Iraq. Sadr was executed because he led a revolutionary movement against the Ba' thist regime in Iraq in 1980.<sup>21</sup>

We will briefly summarize the political, social and economical vision of Islam as interpreted by Al Sadr and as summarized by T. M. Aziz.

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<sup>21</sup> <http://www.al-islam.org/al-tawhid/politiceconomy/1.htm>

## *The Role of The Islamic State*

The Islamic States possesses the sole right of natural resources ownership thus it controls all aspects of economic activity. Accordingly, the state controls the flow of wealth in Muslim society and defines the economic process in such a way to realize the purpose of the Islamic State which is to benefit the entire society.

The state is responsible to provide for the minimum essential needs of all society. Homelessness and poverty in an affluent society is very un-Islamic, something that capitalism does not leave home without! Resources are divided not only according to work and ability to produce, but also according to needs. Three economic classes are identified in society; one that have the mental and or the physical power to produce more than needs, another class made of those can work and make their ends meet, and a third class made of those who do not have the mental or physical capacity to work productively. The Islamic government must provide for the needs of the last two classes as it is the function of government to look after the welfare of its subjects. And the government will own the economic resources to enable it to carry the social program that ensures all citizens living in dignity and sufficiency.

Islam forbids waste. It considers lavish and extravagant living style as wasteful and it directs the production processes to produce the commodities that satisfies the society's needs at large. An

equitable standard of living to its citizens is the State function. The government functions are to guarantee prosperity for its entire people.

### *The Economic System in Islam*

As al Sadr pointed out in his writings, Islam's economic system is part of a general Islamic political theory designed for the realization of an integrated socioeconomic order according to Islamic principles. These socioeconomic systems will need an Islamic State to apply them, which must be the endeavor of all Muslims. In essence, it is this very Islamic ideology that capitalism, represented by the United States and its allies, including its client Muslim states and Muslim secularists, are calling Islamic fundamentalism and are combating under many labels, the most famous of which is the so called war on terror.

Al Sadr explained Islamic economic theory as:

The economic structure of the Islamic State thus consist of private property and public property. ... To justify private ownership and public ownership in Islam, one must

understand the right and obligations of the individual and the State in Islam.<sup>22</sup>

Man's behaviour, according to Sadr, is categorized into three types of relationships: social, economic and religious. They stem from man's basic relationship to other men, to the environment, and to God.<sup>23</sup>

Because people were not equal in their physical and mental capacities, they obviously differed in their utilization of the resources of the environment. Consequently, some men were willing to oppress others to satisfy their greed and egos (both outcome of self-love). It was then that the human community faced oppression in the form of economic exploitation.<sup>24</sup>

This conflict between social peace and individual instinct of maximizing interest was persistent throughout history. This historical conflict, Sadr argues, is between two classes: those individuals who control the environmental resources (economic and social) and endeavour to protect their interest, and the rest of the society which strives to live in peace and cooperation. Marxist believe the problem originated with a few people controlling economic resources.... Capitalist, on the other hand, believe such social conflict to be the result of

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<sup>22</sup> <http://www.al-islam.org/al-tawhid/politiceconomy/1.htm>

<sup>23</sup> <http://www.al-islam.org/al-tawhid/politiceconomy/2.htm>

<sup>24</sup> Ibid.

limited natural resources of the environment, which are not sufficient to satisfy the needs of all people. Thus, social conflict will always be prevalent.... However, Islam disagrees with both the views and considers environmental resources to be sufficient to satisfy all people's needs...(T)he proem rests with the channelling of human nature: how can the instinct of self-love be directed in a proper manner? Unless a solution emerges to control human desires and deflect the potential for exploitation of others, social order rests on shaky foundations.<sup>25</sup>

Sadr specifies three components of the Islamic solution: (1) cessation of the various forms of oppression manifest in the unjust distribution of economic resources; (2) disciplining of "human nature to achieve control of the instinct of self-love; and (3) utilization of economic resources to satisfy the needs of all humanity.<sup>26</sup>

### *The Islamic Theory of Distribution*

A just Islamic social system is the one in which all citizens enjoy the benefit of the wealth of the state. Natural resources, a primary source of wealth, are owned by the state. Whereas

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<sup>25</sup> Ibid.

<sup>26</sup> Ibid.

capitalism rotates around capital as the dominating factor in the production cycle, Islam, its significance in Islamic economic theory is considerably lower. It is considered a produced wealth, not a primary source of production.

Natural resources are defined as land, raw material, water and other resources such as living species in land, air and sea. The state is the sole owner of the land and natural resources. Only through the investment of personal labor can ownership be transferred to an individual and for as long as his labor continues. The ownership will expire as soon his development to that land or natural resource ceased. A property tax is to be paid for the use of this land or natural resource. For the purpose of development water may be possessed. Individuals may gain precedence over others for a piece of land or source of minerals which they work. If an individual invested his labor to develop an underground source of water, then it becomes his own. Other natural resources are publicly owned but may become private property through one's own labor. The general principle:

All natural wealth is part of the public sector and individuals gain the special rights to use them only on one ground, that

is, labour characterized by development [of these resources] by the direct work [of the individual himself].<sup>27</sup>

Thus individuals cannot use the fruits of other individual labors to own big estates of land and industries such as oil and gas that are based on the natural resources of the state and are state owned.

### *Channelling Human Nature: Greed is Not Good*

Contrary to the teachings of all religions, the priests of capitalism advocated that 'greed is good'. To Islam greed is evil. Religions came to tame the sharp edges of human nature. While self love is an instinct that is necessary for survival, excessive selfishness injures society. Just distribution of wealth and the elimination of oppressive economic relationships in Islamic society are the main two functions in the Islamic politic system.

Islam recognizes that working for personal profit, is a manifestation of self love that drives humans to secure their survival. Also, it provides the drive to tackle difficulties and overcome challenges. This instinct, if left unchecked without moral control, will manifest itself in different forms of oppression. Religions, including Islam came to control these instincts. To the

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<sup>27</sup> <http://www.al-islam.org/al-tawhid/politiceconomy/4.htm>

contrary, in capitalism, such instincts are not checked. As Lester C. Thurow wrote, capitalism is no more than processes without any moral strictures to tell man what not to do. Lester wrote that in capitalism, even crime is just one economic activity that one can do if one is willing to pay the price if caught.

Religion,... gives humanity the only solution to this basic and deep-rooted problem of human nature. Religion overcomes the problem of human nature by specifying many channels of self-control that properly regulate or direct- man's instincts into appropriate social behavior. In other words, it will end the contradiction between social and private interests. Islam also disavows any values that a society attaches to the possession of economic wealth. Affluence and economic prosperity of the individual are not signs of social prestige. Islam wants the individual to consider wear as burdensome and places a responsibility on the shoulders of the wealthy individual to serve both himself and others. It is a means to achieve the goals of humanity.<sup>28</sup>

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<sup>28</sup> <http://www.al-islam.org/al-tawhid/politiceconomy/6.htm>

*This Defies the ABC of Consumerism, One of the Main Engines of Capitalism.*

A few years ago, Karen Armstrong wrote several books about Islam. A former nun, Armstrong said she was almost entirely ignorant of the religion of Islam. In 1984, while making a film about Sufism, the mysticism of Islam, she was impressed by its tolerance of other religions, “a quality that I had certainly not encountered in Christianity! This challenged everything that I had taken for granted about Islam and I wanted to learn more”.<sup>29</sup>

Islam: An Arabic word that means “submission”, “surrender”. A “Muslim was a man or a woman who made this submission of their entire being to (God – the Arabic word for which is Allah) and his demand that human beings behave to one another with justice, equality and compassion. ... social justice was, therefore, the crucial virtue of Islam. Muslims were commanded as their first duty to build a community (ummah) characterized by practical compassion, in which there was a fair distribution of wealth. This was far more important than any doctrinal teaching about God”.

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<sup>29</sup> [Karen Armstrong](#), *Muhammad: A Biography of the Prophet*, HarperSanFrancisco, 1993, 14.

According to paper, 52148:, “The West: Capitalism, Progress and Christianity” by the Queensland Central University/Humanities/history:

The connection between Christianity and capitalism has been debated for more than half a century, since in 1904 the sociologist Max Weber published *The Protestant Ethic and the Spirit of Capitalism*. Weber argued that the Reformation, that is the 16th century movement which challenged the hegemony of the Catholic Church and saw the emergence of new Protestant religions, such as Lutheranism, Calvinism, Methodism, was a precondition to the growth of modern capitalism.

Pre—Reformation Catholicism was in principle opposed to profit, and it was opposed especially to usury—that is, the lending of money for profit without risk... All three Abrahamic religions, Judaism, Christianity and Islam banned usury:

*According to the New Testament: Luke 6:34,35*

- Even sinners lend to sinners to get back the same amount. Instead love your enemies and do good, lend without any hope of return. You will have a great reward, and you will be sons of the Most High, for He himself is kind to the ungrateful and the wicked.

*According to Quran:*

[3:130] O you who believe, you shall not take usury, compounded over and over. Observe GOD that you may succeed.

[4:161] And for practicing usury, which was forbidden, and for consuming the people's money illicitly. We have prepared for the disbelievers among them painful retribution.

The Queensland Central University paper added:

Nevertheless there is another dimension to the nexus between religion and the rise of capitalism, and that is the emergence of what is commonly called the 'Protestant Work Ethic'. In 1963 E. P. Thompson developed further Weber's idea, to suggest that Protestantism changed the working classes of Europe in fundamental ways. He argues that essentially peasant societies could not have been forced to adapt to industrial capitalism, to factory work .... Pre-capitalist Europe had an undisciplined and irregular workforce which needed, if capitalism was to develop, to

become disciplined. ... ..Pre industrial society was task oriented.... Their work was not calculated in demarcated time... The West did its best to impose this new culture.... Missionaries often took children into schools, not so much because they wanted them educated, but to allow them to acquire the discipline necessary to become part of the modern capitalistic world.

## THE PRICE IS THE POWER

Sep 29, 2008

After many years of rapid growth of incomes and output, there should be little doubt that an economic slowdown of some degree is now well under way in the world. In many cases, this slowdown is accompanied by inflation. Just how much a threat this inflation is posing is open to question. But we have the double curse – stagnation and inflation. We may hope for relief from this “stagflation” but this may not be realistic. This global recession is predicted to be a depression (a more serious contraction of GDP and which endures for a decade or more). Within OECD countries the inflation rates have not reached double digits yet, but it is likely they will soon. More worrisome is the inflation from developing countries, where inflation is often above 10% annually. And this

inflation will be exported to the OECD countries, argues Thomas Pochari ([www.worldaffairsmoonthly.com](http://www.worldaffairsmoonthly.com)). So, we can see that the rising cost of products and services is becoming THE biggest concern in everyone's mind. The price is the power.

Is there a way out of this distressing economic predicament? Amazingly, this was also the case some 500 years ago. Europe then coveted spices from India and the Far East, but had to pay high prices to the Arab "middlemen" merchants who traded with India and the Far East. Then, out of nowhere appeared the Portuguese scientist and explorer Vasco da Gama (1460-1524). da Gama changed the world forever in 1497. He discovered the sea route to India by sailing south around the continent of Africa. da Gama's discovery cut out the Arab middlemen and allowed Europe to buy commodities directly from the Asian suppliers at much cheaper rates, thus depriving the Arab merchants of their commission. The Arab economy began to decline.

Asian despotism prevented their development, and so for five centuries the West was able to enjoy cheap Asian commodities. But the most important commodity now is the oil. There is no economic development and growth without petroleum. The price of a barrel of oil in 1999 was as low as \$9 USD, and in 2008 it

touched \$147 per barrel. It should be clear that what is urgently required is another Vasco da Gama. The West needs, even requires, cheap commodities. This time the Arabs are not the middlemen, however. They are the owners – the owners of the oil fields. In the absence of a Vasco da Gama, the United States and the West has decided on Al Qaeda instead. The West wants and needs lots of Al Qaedas in the Middle East and Central Asia. According to some reports, the USA wants to build fifty-seven bases just in Iraq (Al Qaeda means “the base” in Arabic). The important question is: how many Al Qaedas would be needed to equal one Vasco da Gama? OPEC, not the West, has the oil. No matter how much drilling we do, supply will not meet demand, so oil prices will continue to rise.

## *CHAPTER 15*

### *THE VISIBLE AND INVISIBLE*

Is AIPAC on its own, or is it part of an invisible power structure that can 'shock and awe' U.S. presidents, Congress or a whole administration? Did this invisible power emerge spontaneously, or was it the result of a historical process that is now deeply entrenched in a Judeo-Christian Anglo-Saxon culture that evolved as the West was transformed from a feudal to industrial and capitalist society?

Ever since the Protestant revolution and Reformation, a Judeo-Christian culture emerged that became increasingly more (Judeo) than Christian. As capitalism took hold, and Reformists including Calvinism gradually and progressively sanctioned usury, which was banned by all religions, prominence to capital role in society took hold and thus capitalism was fueled which was a system developed around capital being, the major factor overshadowing other factors in the production equation. Jews were historically very involved in the money business, not the least because they were banned in many European (but not Muslim) lands from land ownership. Having the capital and centuries old experience in the money business, they dominated the financial world and wielded extraordinary power where they could tip a war

in favor of a king or emperor to whom their lending may be extended or by denying it to his adversaries.

The first international banking was probably started by an obscure religious order that not much about its background was known. A few years after the first crusaders successfully conquered Jerusalem, Hugues de Payens, a vassal of the count Champagne, petitioned King Baldwin II on behalf of eight others and himself to establish them as a religious order. They claimed they wanted to devote themselves to the military protection of pilgrims:

They sought permission for, and were granted, quarters for their new order in a wing of the royal palace in the temple area. This was the former Mosque al Aqsa, said to have been built on the site of the original Temple of Solomon. From this location the group took its name....Over the centuries to come they would be referred to as the Order of the Temple, the knights of the Temple of Solomon in Jerusalem, and a number of other variations. Two things remained standard however. Whatever the form of their name, it was always based on the Temple of Solomon and it always took second place to the popular name they bear still, the Knights Templar.<sup>30</sup>

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<sup>30</sup> [John J. Robinson](#), *Born in Blood: The Lost Secrets of Freemasonry*, M. Evans & Co., 1989, 66

Between 1118 and 1127 the new order took in no members and not much about its activities were recorded. When they decided to break out, King Baldwin II wrote a letter to Bernard, abbot of Clairvaux, who was known as a second pope, requesting him to assist the order to get a Rule from the Pope of Rome, which he did. Bernard championed their cause, and through the Kings of Europe the Templar Knights were granted treasure and land. When Hugh de Payens left Jerusalem, he was an obscure leader of an order of nine people and when he returned to Jerusalem he became the grandmaster of an order sanctioned by the Pope with lots of gold and silver and 300 knights sworn to die in his defense. Within a few years the Templar Knights became the bankers of the crusaders and the Pope, with whom they maintained very close ties. They accepted safe deposits. Even England stored part of the crown jewels with them. Their 'banking' outlets were called commanderies. They acted as agents for collection. They took government contracts to collect taxes. They acted as mortgage bankers lending money on property income. They initiated the service of paper for money. These papers were honored at any of the Templar commanderies, thus being forerunners to checks or sight drafts.

The Jews of Europe were not permitted to own agricultural lands or other means of production and the Jewish communities,

especially in Venice perfected some banking techniques, including making loans to rulers. But such activities were not made in public or in institutions. The Templar financial activities broadened the scope of these activities and institutionalized them.

#### The Templar Knights and the Masons

Two main characteristics were common to the Templars and the Jews: they both made the restoration of the Temple and building a Third Temple a core of their beliefs, and they both were pioneers in banking and financial services. An interesting question may be whether these were the only things they had in common? Was there more to their relationship? The Templars operated an intelligence network, and agents in the principal cities of the Middle East and Europe and operated in secrecy:

Taken all together, the intelligent network of codes, signals, identification techniques, and surreptitious dealings associated with continuous military and financial operations, coupled with a fierce dedication to secrecy in initiations and meetings provided an ideal base to construct a secret society.<sup>31</sup>

After fallout between the Templars and the King of France who appointed a Pope of his own, the Templars were rounded up in France and their grandmaster was burned to death. French Templars escaped to England, but when the Pope requested that the

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<sup>31</sup> Ibid., 77.

King of England persecute the Templars, they went underground with their treasure and records intact.

In his book, *Born in Blood- The Lost secrets of Freemasonry*, author John J. Robinson who conducted his research for his book in cooperation with the Masons wrote:

Now I would test the possibility that there was indeed a connection between Freemasonry and the French speaking Templar order, by looking into the lost meanings of those terms, not in English, but in medieval French. The answers began to flow, and soon a sensible meaning for the name Hiram Abiff, the murdered architect of the Temple of Solomon, who is the central figure of Masonic ritual.<sup>32</sup>

Whereas Robinson had to visit many lands and do extensive research to reach a logical conclusion that was constructed piece by piece due to the secret nature of the Masonry, nowadays one only needs to visit the Mason's Meridian Lodge No. 691 website to read under the Subtitle *Masonic Connection*:

All Knights Templar are members of the world's oldest fraternal organization known as "The Ancient Free and Accepted Masons" or more commonly known as "masons".

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<sup>32</sup> Ibid., xvii

However, not all masons are Templars. Templary is but a part of the Masonic structure known as the "York Rite of Freemasonry."<sup>33</sup>

Freemasonry developed to a point that makes us state without exaggeration that it has become central to the Judeo-Christian Western civilization of capitalism in the past few centuries. Robinson wrote:

George Washington, a Mason, took his first Presidential oath of office on a Bible borrowed from a Masonic Lodge in New York City, and the oath was administered by Chancellor Robert R. Livingston, another Mason and, at the time, Grand Master.... In addition to Washington and Monroe, the Masonic roll of presidents of the United States includes Andrew Jackson, James K. Polk, James Buchanan, Andrew Johnson, James A. Garfield, Theodore Roosevelt, William Howard Taft, Warren G. Harding, Franklin D. Roosevelt, Harry S. Truman, Lyndon Johnson, Gerald Ford, and Honorary brother Ronald Reagan.

World War II was fought by British Masonic Leaders Sir Winston S. Churchill, Field Marshal Earl Alexander of Tunis, Field Marshal Sir Claude Auchinlech, Marshal Lord Newhall (Royal Air Force), and general Sir Francis Wingate. American

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<sup>33</sup> <http://www.knightstemplar.org/faq1.html>

Masonry was well represented by Generals Mark Clark, Omar Bradley, George Marshall, Joseph Stillwell, and Douglas MacArthur.

One hardly knows where to stop in recounting Masonic influence on all aspects of western life in the past 270 years, whether that influence be political, military, or cultural....<sup>34</sup>

We can conclude that the Western civilization that followed Reformation and Protestantism was *a Jude-Christian and not a Christian* civilization, and progressively more Judeo than Christian. It started with a revolt against the Catholic Church and slowly ended with outright hostility to mainstream Christianity through Calvinism and the numerous sects of Restorationists who openly stated their enmity to mainstream Christianity and even advocated and did change the New Testament as Calvin and others did openly. It is noted that all these Judeo-Christian white Anglo-Saxon Protestantism (WASP) sects were united in their enmity to Islam and their zeal to restore the Jews to Palestine and rebuild the Temple of Solomon. Christian Zionists and Jewish Zionists shared that goal. The stated ultimate goal of Masons is also to rebuild the Temple. The New Testament slowly but surely and the Old Testament became one and the same.

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<sup>34</sup> [John J. Robinson](#), *Born in Blood*, M. Evans & Co., 1989, 176

Thus, the Israeli Lobby power comes from the combination of these revisionist Christian sects, the power of Jewish money being the pillar of capitalism and the secret organizations operating undercover that orchestrate the global politics and economics through its network of overt and covert societies, institutions, foundations and dedicated members of carefully screened and selected elites who are aided to positions through which their master plan is implemented. Regardless of the obvious different motives for the Christian and Jewish Zionists, Christian Zionists are taken for a ride as expressed by Lenny Davis who said when told that the Christian Zionists diverged from Jewish beliefs after the arrival of the Messiah in Israel,:

Sure, these guys give me the heebie-jeebies. But until I see Jesus coming over the hill, I am in favor of all the friends Israel can get.<sup>35</sup>

*So: AIPAC Is Part of an International Power Structure*

Supra-national worldwide political, economical, financial and military substructures exist today that all together form a wheel of power that steers globalization today. AIPAC is one component of these sub-structures. Modern communications in the information age enabled the integration of these immensely powerful substructures into one wheel of power. In my Harvard Kennedy

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<sup>35</sup> [Edward Tivnan](#), *The Lobby: Jewish Political Power and American Foreign Policy*, Simon and Schuster, 1987,181

School of Government lecture of March 18, 2008, I defined globalization or the so-called new world order as actually a hypocritical understatement which in reality is a process that transforms nation-states into banana republics to serve the special interests that own the wheel of power that steers the world via an American Empire now, and a British Empire yesterday. In reality, not much has changed between yesterday's imperialism and today except for form but not substance. Robert Cooper, an advisor to the British prime minister, wrote in the October 2001 issue of Prospect Magazine comparing the conditionalities of the IMF today and imperialism of the Anglo-French of nineteenth century when they decided in 1875 to directly control the finances of Egypt to ensure the repayment of debt: "How different is this from what Lord Cromer and others did in Egypt...Sounds remarkably like a rather strict IMF program." It was an East India Company yesterday and a Chevron today, and a Rothschild yesterday and many Rothschilds today.

If one reads Ignatius Donnelly's speech at St. Louis Populist Convention in the last quarter of the nineteenth century, one would think someone is describing the ills of today. Connelly said:

...we meet in the midst of a nation brought to the verge of moral, political, and material ruin. Corruption dominates the ballot box, the Legislatures, the Congress, and touches

even the ermine of the bench... The newspapers are largely subsidized or muzzled...<sup>36</sup>

This Western capitalist imperialism is dominated by an Anglo-Saxon Judeo-Christian imperialism of the world through a web of multinational corporations, corporate media and financial, military, and political institutions, planned, created, dominated and steered by this power structure yesterday and today. These groups succeeded for some time to privatize and hijack the power of governments, lately under the label of privatization.

These “power groups promoting and driving the New World Order are doing so in full public view: i.e., multinational corporations (e.g., the Fortune Global 500s accounting for over 80 percent of U.S. economic activity); the global financial infrastructure (which includes banks, investment funds, stock exchanges and commodity market operators); multimedia monopolies; major Ivy League universities; international multilateral organizations (such as the World Bank, the IMF/International Monetary Fund, the IADB/Inter-American Development Bank, the BIS/Bank of International Settlements, the UN/United Nations and the WTO/World Trade Organization) and, most important, key government posts in the United States, Israel, the United Kingdom and other industrialized nations.”

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<sup>36</sup> <http://historymatters.gmu.edu/d/5361/>

*Think Tanks Created to Serve the Special Interests Group:  
CFR as Study Case*

A group of influential bankers, lawyers, politicians, and academics who were attending the Paris Peace Conference in 1919 met at the Majestic Hotel in Paris. As it became obvious that the imperial power was moving from Britain to the United States, the power structure prepared for a smooth transition and more insidious ways of exercising their power. They decided to create a web of think tanks, as exclusive lodges through which they could design the post war orders accommodating the imperial global interests and objectives of the Anglo-American alliance. Twin think tanks were created, one in London named Royal Institute of International affairs (RIIA) and one in New York under the name of Council on Foreign Affairs (CFR). Both think tanks were promoting a social and political order, promoted at the time by “such Masonic fronts as the Fabian Society financed by the Round Table Group which was in turn created, controlled and financed by South African magnate Cecil Rhodes, the international financial dynasty of the Rothschilds, various UK-based Ancient Rite Masonic Lodges, and the British Crown. The CFR got its initial support from the most wealthy, powerful and influential families in the

United States, such as Rockefeller, Mellon, Harriman, Morgan, Schiff, Kahn, Warburg, Loeb and Carnegie.”<sup>37</sup>

The treasurer of Rockefeller’s Standard Oil Co., Charles Pratt, donated the 68<sup>th</sup> Street mansion for the New York headquarters of the CFR. The CFR established sister institutions in Canada, South Africa, New Zealand, Australia, Sweden, Netherlands, India and Japan. Since the Rockefeller group and the J.P. Morgan group drafted the legislation which created a private Federal Reserve System to control America’s money and banking in 1913, the Rockefeller faction and the New York Council on Foreign Relations have been decisive in its policy control. In the postwar period, William McChesney Martin, Arthur Burns, G. William Miller, Paul Volcker, Alan Greenspan and the present Fed chairman Benjamin Shalom Bernanke all have served as heads of the world’s most powerful central bank, the Federal Reserve and all belonged to the same Jewish faith. All were first, members of the CFR.

Among the first CFR directors was Allan Dulles who was a key figure in the United States intelligence community and who founded the Central intelligence Agency (CIA), Walter Lippmann a confidant and advisor of President Wilson and a media icon, many corporate lawyers from J. P. Morgan and other financial institutions, and of course Isaiah Bowman who in 1919 led the

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<sup>37</sup> Adrian Salbuchi, “Through the Looking Glass: The World’s Mastermind: The Hidden Face of Globalization”, Global Research Articles, <http://www.globalresearch.ca/index.php?context=va&aid=4034>

team to re-draw the map of Central Europe. Isaiah Bowman also led the secret War and Peace Studies Group that designed the new world order after World War Two, who based on its recommendations the United Nations, the IMF, the World Bank and GATT were created in 1944 in a meeting at Bretton Woods.

From its very early days until today, control of media was planned and achieved. CFR members owned and managed the new emerging radio networks such as NBC, ABC, and CBS radio networks. With newspapers already under their control, including the New York Times, the Washington Post, The Wall Street Journal, and Chicago Tribune, controlling U.S. media was complete. These same networks owned the TV stations and this control was by sight, sound, and letter.

### *The CFR Control of Global Media*

Since World War II and the creation of the Psychological Strategy Board in the CIA and State Department, the CFR and the inner circles of the U.S. Elite has devoted enormous resources to the control of media. Today, American media is more tightly controlled by members of the CRF elite than the media in Communist China or the tightest dictatorship. The control is subtle so that most Americans are blind to the fact that their every political thought is being spoon-fed and manipulated from above.

During the Cold War, a Soviet media group visited the United States to see the “free” media in a democracy. At the conclusion of their tour they were asked if they have any questions. The Soviet delegation expressed admiration for the degree to which the media was controlled in the United States. They said they heard the same message in every state they visited whether by radio, TV or newspaper. They would love to learn how that was perfected, and went on to say that whoever is controlling the U.S. media was doing a better job than they were in the Soviet Union.

To reflect their changing priorities in the era of the recent globalization of their control since the early 1990’s, the major media giants have been reorganized and centralized, globalized in a few hands. The largest media group today is AOL-Time Warner, which in turn controls CBS television, CNN, HBO the largest U.S. pay-TV network, Time magazine group, the largest magazine publisher which includes Sports Illustrated and numerous others; Warner Bros. and other Hollywood film studios. AOL is the largest private Internet provider in the U.S. Gerald Levin is the Chairman of AOL-Time Warner.

The second largest U.S. media giant is the Walt Disney Co. headed by CEO Michael Eisner, an outsider with no ties to the Disney family. Disney today controls several TV production companies including Touchstone TV, Buena Vista TV, and Hollywood film companies including Walt Disney Motion

Pictures, Touchstone, Caravan and Hollywood Pictures. It also owns Capital Cities/ABC the second largest TV network with many subsidiaries in Europe.

The third member of the U.S. media cartel is Viacom Inc. It also owns the cable sports network ESPN, Women's Wear Daily, Viacom Inc., Paramount Pictures and recently bought CBS from Time Warner. Viacom controls the worldwide youth market through its cable network MTV, which promotes violence and sex via song videos, and Nickelodeon, Showtime. MTV shows its rock-rap videos to 210 million homes in seventy-one countries. It is one of the world's most influential communications companies.

Australian-born media mogul Rupert Murdoch is the owner of the fourth largest U.S. media group, News Corporation. He owns Fox TV, whose programs are dominated by neo-conservative propaganda in favor of Israel. Murdoch also owns the New York Post and numerous other newspapers including the neo-conservative Weekly Standard of William Kristol. Murdoch's former business associate, Haim Saban, a Hollywood billionaire who is close to Ariel Sharon and a pro-Israel hawk, recently bought Germany's largest TV group, Pro-7 Media.

The fifth largest media conglomerate is the Newhouse Group of billionaire Si Newhouse. Newhouse owns twelve TV stations,

eighty-seven cable TV systems, the largest circulation Sunday magazine, Parade, New Yorker, Vogue, Mademoiselle, Vanity Fair magazines, the Cleveland Plain-Dealer, Newark Star-Ledger, and New Orleans Times-Picayune.

The striking fact about this concentration of media power today in America is that all the top companies are controlled by CFR members, from Disney to Time Warner to Fox News to Viacom. Perhaps as significant is the fact that those CFR members controlling the giant American media conglomerates today are all Jewish. This reality is open for anyone to see, but it is considered so explosive that it is taboo to mention this most clear and obvious fact. If anyone attempts to ask the most basic question about how such a monopoly of power in the media could be controlled by one small ethnic group whose views on U.S. foreign policy might be tainted by a pro-Israel bias, charges of anti-semitism immediately surface. The fact remains that U.S. media today is more concentrated than ever in history, and the control is held by members of the CFR, almost all of whom happen to be Jewish.

The CFR was and is today an elite, private group whose members are chosen by committee for their loyalty to the secret globalist agenda of the Elite. Its members, today just over 3,000 prominent people, control government, both political parties, banking and private industry. Of the 3,000 CFR members, there is an inner elite, called by former U.S. Air Force intelligence liaison to

the CIA, Colonel Fletcher Prouty, the Secret Team. This Secret Team is approximately 100 select CFR members who in turn control the U.S. State Department, CIA, Defense Department, FBI, U.S. Treasury and all key arms of the U.S. Government.

The new American imperialism, rather than use formal colonies to build its empire, used the ideology of free markets, of open trade, to insure its industry and banks dominated and continued to grow, at the expense of its rivals. With agencies such as the United Nations, with its control of new organizations of economic and financial rule, the International Monetary Fund, World Bank and later, GATT for control of trade, the United States emerged from the Second World War at the peak of its power. It controlled the vast bulk of world monetary gold. It controlled the seven seas, controlled 40 percent of the world's wealth and industrial capacity, and had escaped the destruction and economic hardship of war.

## How Dedicated Bureaucrats are Selected, Trained, and Deployed

To start with let us define the relationship between the invisible, holders of the real power, and the visible who are selected by them to execute their agendas. The relationship between a devoted elite's class chosen from academics, politicians and

bureaucrats and the global financiers and robber barons was defined clearly by Walter Lippmann. A founding member of CFR and a media icon of the permanent establishment in the twentieth century, he divided America's class system into a "special class" – "the responsible men" whose business was to define the national interest – and a largely ignorant "public," who must be steered by that special class. The economist and writer F. William Engdahl quotes Lippmann's view in his book, *A Century of War*: "This elite would become the dedicated bureaucracy, to serve the interests of private power and private wealth, but the truth of their relationship to the power of private wealth should never be revealed to the broader ignorant public. They wouldn't understand." He continues: "The general population must have the illusion that it is actually exerting 'democratic' power. This illusion must be shaped by the elite body of 'responsible men' in what was termed the 'the manufacture of consent'."<sup>38</sup> This "dedicated bureaucracy" is what we call the visible. Real power is with the invisible.

As a case study we will discuss Henry Kissinger and Condoleezza Rice as outstanding members of the dedicated class. An ambitious young Harvard Professor, Henry Kissinger, was sponsored by the CFR in 1957 to head a new CFR study group for the 1960's. Kissinger's 1958 book, *Nuclear Weapons and Foreign Policy*, came out of the CFR project, and as a result of that

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<sup>38</sup> [William Engdahl](#), *A Century of War: Anglo-American Oil Politics and the New World Order*, Pluto Press, 2004, 178.

Kissinger was hired as a White House adviser by President Kennedy three years later. He became an icon of the invisible power structure coming on and off the government to implement CFR's hidden agendas.

Isaiah Bowman, who led the Peace and War Studies group that constructed the post-World War II order, sponsored a publication by Robert Strausz-Hupé, who founded in 1955 the Foreign Policy Research Institute (FPRI). The institute was initially part of the University of Pennsylvania. Strausz-Hupé began, in 1957, publishing the quarterly *Orbis*, a journal of world affairs. On its editorial board was William Yandell Elliot, from Harvard School of Government, and his student, Henry A. Kissinger, both members of the founding editorial board of advisors. The institute's long-term mission was to promote an American empire, without nation-states, in a post-Soviet world. The lead article of the first issue of the *Orbis*, by Strausz-Hupé, titled *The Balance of Tomorrow* (reprinted in the winter 1992 issue, after the fall of the Soviet Union, in order to re-commit FPRI to its founding imperial mission) said: "The issue before the United States is the Unification of the globe under its leadership within this generation. How effectively and rapidly the United States will accomplish this task will determine the survival of Western culture, and conceivably the survival of mankind. ...will the coming world order be the

American Universal empire? It must be that - to the extent that it will bear the stamp of the American spirit.” The new threat to this vision and the new American empire would be coming from Asia, according to the Orbis article, “The American empire and mankind will not be opposites, but merely two names for the universal order ...” Wasn’t the gist of the letter of sixty Americans promoting American values as universal, written after September 11 2001, similar to FPRI’s mission that was started in 1955? The mentor and professor of the clash of civilizations heroes Huntington, Kissinger, Brzezinski, was on the founding editorial board and Huntington himself, as well as Princeton University-based British geopolitical professor Bernard Lewis (who was the first to coin the term clash of civilizations), were on FPRI’s advisory board. After the collapse of the USSR, the U.S. started its drive to implement a New World Order: an American Empire.

On August 23, 1990, three weeks after the Iraqi invasion of Kuwait, Brent Scowcroft, and President George Herbert-Walker Bush’s national security advisor used the term “New World Order” for the first time. He told reporters: “We believe we are creating the beginning of a New World Order out of the collapse of the U.S.-Soviet antagonisms.” The president addressed the U.S. Congress a few weeks later, on September 11, 1990: “A new partnership of nations has begun .... The crisis in the Persian Gulf, as grave as it

is, also offers a rare opportunity ... out of these troubled times ... a New World Order can emerge.”

Let us discuss George W. Bush and Condoleezza Rice. When the invisibles decided that George W. Bush should become a candidate for the presidency, he knew very little about foreign policy. During an interview with an American magazine he was asked who the Taliban were. Bush thought (very seriously) that it was a Rock ‘n’ Roll band. To cover this deficiency, two professors from the dedicated bureaucrats, Condoleezza Rice and Paul Wolfowitz were assigned the job of nurturing Bush. Since the fall of 1998, Bush, Rice and Wolfowitz have held, every Sunday night, a three-way conference call to set the plan for the following week’s work plan. The next Monday morning, a bigger team would conduct another conference call to set the details of the week’s agenda decided upon by Bush, Rice and Wolfowitz. The bigger team included mostly Bush Sr. administration figures, staunch believers in the New World Order and members of the Zionist lobby, such as Richard Armitage, Richard Perle and Dov Zakheim. After the election was won by Bush’s son, the participants in the election campaign were given key positions in the new administration to implement the next phase of remaking the world order according to the Shadow Power Structure master plan.

We have explained how presidents-to-be are trained. To explain how the dedicated bureaucrats are recruited, nurtured, and promoted, we will take the case of Condoleezza Rice. She was born in Birmingham, Alabama, in November 1954. Due to discrimination and segregation against blacks in the South, and increased tensions between whites and blacks, her father moved to Denver, Colorado. He became a professor at the University of Denver. She obtained her PhD in international relations in 1981 from the University of Denver under the tutelage of Josef Korbel, Professor of International relations.

In a September 26, 1999 article in the Guardian, Rice said she became a close friend of Josef Korbel's and a frequent visitor to his home. There she met and befriended his daughter, Madeleine Korbel Albright, who would become secretary of state during Clinton's presidency. Albright would claim to be Christian until, one day, after assuming her secretary of state position; a reporter revealed that Albright had a Jewish cousin who lived in a kibbutz in Israel. Albright then admitted her Jewish background and claimed to be excited by her new discovery, at age 60! Josef Korbel had been a diplomat in the pre-war Czech Foreign Service. He moved to London where he became a key member of Benise's Czech government in exile. He was sentenced to death in absentia by the communists, so he moved with his family to the United States.

Rice moved to teach at Stanford University where, very quickly, she became a full professor. She joined the Hoover Institution on War, Peace, and Revolution and continued to be a Senior Fellow. Under a fellowship from the Council on Foreign Relations she moved to Washington DC, where she worked on nuclear strategic planning in the office of the Joint Chiefs of Staff. In 1989, she joined the National Security Council (NSC) under Brent Scowcroft as chief Soviet specialist. In May 1990, she was promoted to become NSC's senior director for Soviet and Eastern European Affairs. On August 9, 1990, one week after Iraq's invasion of Kuwait and the launching of the New World Order, she was promoted to become Special Assistant to Bush. She supervised the critical years of the transformation of the Soviet Union from a superpower to a third rate power with nuclear teeth. After she left the Bush administration, and until she joined the campaign of his son, she was allied with the multinationals of finance and oil industries, and was a board member of many corporations, including Chevron Oil Company, Hewlett Packard Foundation, Charles Schwab, and on the international advisory board of J.P. Morgan.

## *The CFR Creates Bilderberg Group and Trilateral Commission*

In 1954, the Elite members of the CFR realized that they required an Atlantic organization which would implement and control policies in the emerging postwar Western Europe, aside from the military policies of NATO. At a private hotel, Hotel Bilderberg, in Holland, the CFR strategists organized an ultra-elite annual series of policy discussions. They were hosted by an American paid asset, paid by secret bribes from the Lockheed Corporation, Prince Bernhardt of Netherlands. Bernhardt had served during the war as an officer in the Nazi elite SS, and was close to SS chief Himmler. After the War, “the Dutch playboy prince” as the press dubbed him, was a useful façade for the U.S. to organize its European affairs via the Bilderberg Group.

Some 100 leading corporate and government leaders from North America and Europe would meet once a year at a secret location, where they banned all press, and discussed pre-planned policy initiatives. The process became known as the Bilderberg Group for the hotel in Holland where the group first met.

In May 1973, in a secret meeting at the private island retreat of the Swedish Wallenberg family at Saltsjöbaden outside Stockholm, the Bilderberg Group met and planned the economic process of the 400 percent price shock in oil, a process which Henry

Kissinger was to organize as Secretary of State. Of course, it was all blamed on greedy Arab OPEC oil Sheikhs, but the scheme and its implementation down to the last detail was the work of Kissinger and Bilderberg elites organized by the U.S. CFR.

The shadow power structure financed the creation of another international private entity to organize this, the Trilateral Commission. Tri means three in Latin. The three great centers of U.S. power globally, were North America, Western Europe and now Japan.

The Trilateral Commission had as first Executive Director a Henry Kissinger protégé, Zbigniew Brzezinski. Brzezinski had been director of the Russian Studies Institute of Columbia University at the time, an institute funded by the Rockefeller Foundation. Jimmy Carter, then an unknown governor of Georgia, was selected to become a Trilateral founding member, and his Presidency from 1977-1980, was dominated by Brzezinski, CFR member, Cyrus Vance, and other members of the Trilateral Commission.

For the past three decades, the policies outlined at the 1975 Trilateral meeting have been implemented, step-by-step to the point of September 11, 2001, when fear of new terror attacks led the American population to accept police state controls as never in its history. Those who re-read the 1975 Huntington *Crisis of*

*Democracy*, could see the direct parallels between 1975 and 2001. Not by coincidence. Huntington was the author of the provocative article, *Clash of Civilizations*, which “predicted” wars between Western Christianity and the Islamic world. Huntington first published his thesis in the magazine of the CFR, *Foreign Affairs*.

These organizations, the Council on Foreign Relations, the Bilderberg Group and the Trilateral Commission are the arms and legs of what some insiders refer to as the Secret Team, the U.S. power Elite, through which they organize the world to their gain, as they define it. However, these are only the more visible groups. Behind these are invisible networks of private, secret societies, known as freemason lodges, which organize millions worldwide behind a power agenda, which has been described as an “Interlocking Directorate”. The world headquarters for the powerful Ancient & Accepted Scottish Rite of freemasonry was moved from Charleston South Carolina to Washington D.C. This is no coincidence. It is one of the most powerful and secret organizations in the world. It is deeply involved in occult activities such as the support for the rebuilding of the Temple of Solomon in Jerusalem at the holy Al Aqsa Mosque site. Its members are secret, but are known to include the leading members of the Council on Foreign Relations, Bilderberg and Trilateral Commission.

### *How CFR and Think Tanks Operate*

The blueprint for current United States foreign policy was

written back in 1992 by the office of then-Defense Secretary, Dick Cheney, in the first George H.W. Bush Administration, shortly after the first Gulf War, Operation Desert Storm. Cheney set out a new doctrine that called for U.S. power in the twentieth century, to be aggressive and unilateral, in order to secure American dominance of world affairs by force if necessary. This "peace through strength" policy has been unfolding from the day George W. Bush took office in January 2001.

The strategic planning was done during the Clinton administration with funding from the military-industrial complex, energy companies, and right-wing foundations. Over time, those working on these new plans evolved into the think-tank they called Project for the New American Century (PNAC). PNAC, established in 1997, included Dick Cheney of Halliburton Corporation, the world's largest oilfield services and military construction company, Donald Rumsfeld, and Paul Wolfowitz.

The elite PNAC circle also included most of the neo-conservative hawks in the Bush Administration whose lies and fabrications led to the war in Iraq. John Bolton, later in charge of arms control and proliferation policy in the State Department; Lewis Libby, Cheney's Chief of Staff; Abram Shulsky, Stephen Cambone and Dov Zakheim of the Pentagon, all were involved.

Richard Perle and Karl Rove played key roles in the report as founders of PNAC, along with Jeb Bush, the Florida Governor whose state gave George W. the White House in 2000 with unusual help from the Supreme Court.

Was it a coincidence that shortly before September 11 2001, CFR held a conference to determine the effect of a terrorist attack on the financial markets? On July 12-13, 2000, CFR ran a scenario titled “*The Next Financial Crisis: Warning Signs, Damage Control, and Impact*”. Earlier scenarios that were not made public, included how a major terrorist attack would cause a meltdown of the U.S and world economy and steps to prevent such a meltdown in a very volatile system. The scenario was part of a public report on the “Financial Vulnerabilities Project”. The public scenario assumed that somehow, the United States president would be incapacitated and the “establishment” would have to step in. Interestingly, when September 11 attacks occurred, Vice-President Dick Cheney took charge and went to the situation room with the “establishment”, as the president of the United States was out of Washington, in Florida. Of course Cheney, the more seasoned establishment figure, kept the president informed about the events. The financial markets were kept under reasonable control, considering the circumstances. On September 14, 2001, the CFR updated the 2000 scenario at a meeting it held at the St. Regis Hotel in Washington DC. The event was named “The U.S. Commission on National Security for the 21<sup>st</sup>

Century: After the Attack A New Urgency”. Former CIA director R. James Woolsey was one of the CFR members who played a key role in the “Financial Vulnerabilities Project”. CFR promoted the reorganization of domestic intelligence and emergency management organizations. Bush Jr. complied, and three days later the Homeland Defense Security Agency (HDSA) was announced. Pennsylvania Governor Thomas Ridge was named to head NDSA and was given Cabinet-member status.

On flight RJ 194 from New Delhi to Amman, I was seated next to a retired Israeli general who was a military governor of the West Bank and later on became administrator of the occupied territories. He was in transit to Tel Aviv via Amman. During our six hour plane journey, we spoke about a range of subjects. What’s pertinent to our subject in this introduction is the power of the Jewish lobby. The general said that he was in the United States at the time of the Bush/Cheney versus Gore/Lieberman presidential elections. Most of Israelis holding American passports went to the United States to cast their votes for the Al Gore/ Lieberman ticket since Lieberman was a Jew. An AIPAC member told the general not to worry. Bush and Cheney are in this pocket, Gore and Lieberman are in this other one.

Real power was and remains in the hands of the few, the invisibles who define agendas for both political parties. Presidents and their administrations are actors to market and execute their agendas.

“Come let us declare in Zion the word of God”, said William Bradford, quoting Jeremiah as he stepped onto American land off the Mayflower, the now famous ship that carried 101 Puritans of the early Immigrants in 1620. America was the incarnation of the Biblical Promised Land.